R. A. Ulyanovsky

THE DOLLAR AND ASIA

U.S. Neo-colonialist Policy in Action

WHAT is neo-colonialism, its political and economic essence?
WHAT are its main features and forms of manifestation?
WHAT are its real possibilities and prospects?
WHAT makes it dangerous for the newly-free countries?

An answer to these questions is given in the analysis of U. S. policy in Asia in the post-war period. The evolution of this policy during the different stages of the past 20 years is thoroughly examined. The author has made use of official sources, statements of political leaders, scientific papers and monographs published in the United States, West European and Eastern countries.

Washington's policy in India, the biggest developing country, is examined in great detail.

The author examines urgent social, political and economic problems of the newly-free countries in their inseverable connection with the struggle and competition of the two world social systems.

U.S.S.R. ACADEMY OF SCIENCES
INSTITUTE OF THE PEOPLES OF ASIA

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U.S. NEO-COLONIALIST POLICY IN ACTION

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Ростислав Александрович Ульяновский

«НЕОКОЛОНИАЛИЗМ США
И РАЗВИВАЮЩИЕСЯ СТРАНЫ АЗИИ»
(на английском языке)

CHAPTER I

VICTORY OF CAPITALISM IN THE DEVELOPING ASIAN COUNTRIES: MAIN OBJECTIVE OF THE U.S. POLICY

One of the pivotal questions of our time—what road will the Asian, African and Latin American countries follow in their development—has been intensively studied in recent years. It really is a question of fundamental significance.

Many books have been written by Western ideologists expounding their views on the socio-economic development of the newly-independent countries and their appraisal of the influence the competition between the two world social systems is exerting on the solution of this major problem. These authors believe, or at any rate pretend to believe, in capitalism, in its victory. But all the works by bourgeois politicians, economists, sociologists and historians are pervaded with deep anxiety that the peoples who discarded the colonial yoke will reject the capitalist road, will interrupt capitalist development where it is under way and succeed in wresting their countries from the world capitalist system; they are afraid that in these countries socialism will score a decisive victory over capitalism. [1]

First place among postwar Western studies dealing with the economically less developed countries and their relations with the capitalist and the socialist system naturally is held by different authors from the United States. Most British, French and West German bourgeois authors side with the American apologists of capitalism, but indulge in some criticism of the U. S. strategists and economists.

Most of the studies and statements by American economists and politicians revolve around the main issue: will the United States, together with the West European capitalist countries, succeed in steering the political and socio-economic development of the newly-independent Asian and African states, formed after the Second World War, into the channel of capitalism or will the people of these sta-

[1] The British economist G. Hutton says that many of the Asian, African and Latin American countries have not yet chosen the "American or the Russian" way, awaiting "the outcome of the race in economic growth between the two giants, West and East" (G. Hutton, *Inflation and Society*, London, 1960, pp. 124-125).

tes in different forms, in different but historically more or less close periods, take the non-capitalist road of development, in some cases resolutely and irrevocably, in others with less consistency? Will socialism or capitalism triumph in the developing countries? That is the question. That is how the historical struggle of the people in Asia, Africa and Latin America objectively appears in the context of the competition between the two world social systems.

Some bourgeois scholars examine the destinies of the Asian, African and Latin American countries in isolation from the struggle of their people for social progress, against foreign imperialism and local capitalism. At best, they do not understand the decisive role the people play in history and, at worst, deliberately ignore it. They hold that the struggle and competition between the two world social systems and, even more frequently, the struggle between the United States of America and the Soviet Union, will decide everything regardless of how the socio-economic and political development, the struggle and relation of class forces in the economically backward areas of the capitalist world, take shape.

Such a point of view is characteristic of the imperialist ideologists, but it runs counter to reality. The people of Asia, Africa and Latin America have become a great, independent political force, they are capable of deciding their own destinies and are also taking an active part in settling world issues. They participate in the struggle of the two world systems, ultimately choosing, at an appropriate historical moment, the socialist system which corresponds to their class interests and national aspirations.

The most general question of interest to U. S. statesmen and to ideologists of American imperialism is the attitude of the newly-free peoples to socialism, communism, to the Soviet Union and the socialist system. This subject is thoroughly examined in its different aspects in fundamental works, magazine articles and official documents.

Allan Dulles, former head of the U.S. Central Intelligence Agency, addressing in August 1960 the National Convention of Veterans of Foreign Wars, said that the Communists evidently were offering things for which a considerable part of the world, especially the underdeveloped world, was striving; and the underdeveloped countries were gripped by a desire for swift economic growth and social progress. [2]

Naturally, it is the Communists and not the U.S. capitalists and politicians who are able to offer the people of the developing countries constructive ideas about the shortest roads and successful methods for eliminating their age-old backwardness. No one except the Communists knows and is able to offer such roads and methods which, moreover, have stood the test of history.

[2] *Star*, Washington, August 24, 1960.

Allan Dulles is not alone in striving to explore and formulate a fundamentally different programme for Asia, Africa and Latin America which could serve as an alternative to the progressive programme of the Communists. Sulzberger, well-known American political commentator, admits that in the opinion of Washington the problem is to make the American political and economic concepts attractive for the less developed countries. [3]

A pamphlet summing up reports of the main research centres about the strategic aims of U. S. foreign policy in the 1960's, was published in 1961 under the auspices of the U. S. Department of State. These centres were commissioned to make such a study in 1959 by the Senate Foreign Relations Committee under Senator Fulbright. The authors of the book arrived at the conclusion that the objective of the United States with regard to the new national states was to influence them so as to prevent them from joining the socialist camp. [4]

To this end, the authors advance the task of pursuing a flexible policy of U. S. economic aid to the developing countries, financing their development projects, extending trade with them, prompting the ruling circles to carry out land reforms, and, what is most important, stimulating to the utmost private capitalist enterprise and the investment of foreign capital. The authors claim that in implementing the main strategic aims it is no longer possible to rely only on militarily weak allies, but it is high time to realise that it is more advantageous for the United States to help the new nations, the neutral 'states. [5]

This statement shows that the United States is making a critical reappraisal of old ideas and is working out new concepts with regard to the developing countries. New times have arrived and new ideas are needed. Hardly any important official of the present U. S. Administration will venture to come out publicly with the view which was expounded by Nelson Rockefeller in a secret letter addressed to President Eisenhower. Discussing the foreign policy aims of economic aid to less developed countries, he wrote: "The essence of this policy should be that the development of our economic relations with these countries would ultimately allow us to take over key positions in the native economy.... By this means we can hope to divert the foreign policy of these countries in a more desirable direction." [6]

To take over key positions in the economy and to dominate the policy of the less developed countries—here we have in a nutshell a complete programme for the restoration of colonialism. It is not at all surprising that such ideas have not become popular among the people and have not attracted the ruling classes in Eastern coun-

[3] *New York Times*, March 12, 1960.
[4] Cf. J. Serf, W. Pozen, *Strategy for the 60's*, New York, 1961.
[5] *Ibid.*, p. 9.
[6] Quoted after D. Latifi, *India and U. S. Aid*, Bombay, 1960, p. 129.

tries. The present U. S. Administration is compelled earnestly to revise all its concepts; it is making much ado about it with the object of proving its intrinsic love for peace, its altruism and unselfishness.

An unwitting admission that the socialist methods of eliminating economic backwardness are of great importance for the less developed countries has been made by Douglas Dillon, former Under Secretary of State. Speaking before foreign correspondents he said that the economic success of the Soviet Union was of the utmost significance for international communism inasmuch as it gave an idea of the Soviet system as a magic means for the rapid progress of the less developed countries of Asia, Africa, the Middle East and Latin America.[7]

A report of the Corporation for Economic and Industrial Research, published by the Senate Foreign Relations Committee at the end of 1960, contains the conclusion that "the underdeveloped countries will show no improvement in per capita income relatively to the developed countries. Disparities, in fact, tend to grow rather than diminish." [8]

The relative position of the newly-independent countries in the world capitalist economy is improving very slowly. Between 1948 and 1958, their share rose from 18.4 to 26.7 per cent in the output of the extractive industries; from 8 to 8.5 per cent in manufacturing industries; and in all industry, from 9.1 to 10.4 per cent, or by 1.3 per cent. [9] The share of the industrially developed countries declined by a similar percentage. The share of the less developed countries in the extractive industry increased because of the growth in the production of metal ores (8.4 per cent), oil and gas (11.2 per cent) and coal (1.8 per cent). Their share in manufacturing rose owing to bigger output in the paper industry (1.6 per cent), chemicals (0.7 per cent), metallurgy (3 per cent), metal-working (0.3 per cent), light industry (0.8 per cent) and other industries.

The share of the less developed countries in the world capitalist production of cereals (wheat, rye, barley, oats, maize, millet, sorghum and rice) has declined: in 1948-1952, it amounted to 44.5 per cent and in 1958 to 43 per cent. [10] The share of advanced capitalist countries rose correspondingly and some of them became exporters of food to Asian agrarian countries too.

The annual growth rate of the population in the newly-free countries amounted approximately to 2.2 per cent during this period and in the industrially developed countries, to 1.2 per cent. Because of the low growth rates in industry and agriculture, per capita gross national product in the developing countries rose much slower than in

[7] *New York Times*, May 7, 1959.
[8] *Worldwide and Domestic Economic Problems and Their Impact on the Foreign Policy of the United States*, Washington, 1959, p. 39.
[9] *U.N. Pattern of Industrial Growth 1938-1958*, New York, 1960.
[10] *Production Yearbook*, Rome, 1960.

the industrial states. In the economically backward countries it rose from $ 107 in 1950 to $ 124.6 in 1957, or by 16 per cent, and in industrial countries from $ 1,113.5 to $ 1,345.4, or by 20.5 per cent. While in 1950 the ratio between the per capita national product was 1 : 10.4 in favour of the developed countries, in 1957 it was 1:10.8. [11] No essential changes in this respect have occurred since then.

Available statistics enable us to draw the conclusion that young sovereign states within the sphere of the world capitalist economy, notwithstanding some progress, have not yet been able essentially to alter their subordinate position in the international capitalist division of labour and to reduce their lag behind the industrial capitalist powers.

According to latest figures, the population of the developing countries comprises 63 per cent of all mankind. But these countries contribute only 25 per cent of the world production of foodstuffs, 16 per cent of the world industrial output and 17 per cent of the income. Young sovereign states developing within the capitalist system continue to trail behind the industrially advanced capitalist powers and, consequently, are relatively growing poorer.

R. N. Gardner writes in the *Saturday Review* that "despite all the progress of science and technology in recent years there are more people living in misery and deprivation today than at the turn of the century". [12]

Enemies of socialism are forced to draw this highly important conclusion. Even in conditions of political independence, the newly-free countries which followed the capitalist road in the postwar years could not radically change their international economic position. By following this road it is impossible rapidly and successfully to overcome the age-old backwardness of the former colonies and dependencies.

The report of the Corporation for Economic and Industrial Research admits that this provides tremendous psychological advantages for the Soviet Union's economic and political "drive"; without a prospect for relative progress as compared with the rest of the world, the developing countries evidently will be inclined to agree with the Soviet argument that only with the help of communist planning can they hope to better their lot.

Let us leave aside the absurd and groundless talk about a "drive" by the Soviet Union and turn to the facts and figures pertaining to the most advanced of the developing Asian countries, India, which has registered the biggest economic progress. During the operation of the First Five-Year Plan (1951/52-1955/56) her national income

[11] *Economic and Social Council. General Review of the Development and Coordination of the Economic, Social and Human Rights Program and Activities of the United Nations and Specialized Agencies as a Whole*, New York, May 1960, p. 20.
[12] *Saturday Review*, September 7, 1963.

rose by 15 per cent, while that of Britain grew by 42 per cent and that of the United States by 25 per cent. Since the population of India during this period increased faster than in Britain and the United States, it is clear that as regards per capita income India, far from overtaking the advanced capitalist countries, is increasingly falling behind them. Nor has this tendency been radically altered during the Second Five-Year Plan (1956/57-1960/61).

If we take a period of twelve years (1948/49-1959/60), the picture is about the same: in 1948/49 the average per capita income in India was Rs. 246.9, while in Britain it was 14 times greater. In 1959/60 it amounted to Rs. 291.6, an increase of 18 per cent; but in Britain it was 15.5 times higher. [13]

The substantial investments and relatively higher economic growth rates in India and some other developing countries during the period of independence still have not brought about qualitative shifts which would cause a radical change in these countries' economic pattern and show that they are overtaking the principal capitalist countries not only in growth rates but also in terms of absolute increase. The overwhelming majority of the developing countries still remain agrarian (although some of them—India, the United Arab Republic and others—are on the eve of becoming agrarian-industrial countries). A whole historical period of struggle for economic independence and industrialisation will be needed to transform them into industrial-agrarian countries.

Reviewing the results of India's development over ten years, Nehru noted that the achievements during the period of the first and second five-year plans had been reduced to nought by the tremendous population growth. [14]

Economists have estimated that if the population increases at the rate of 1 per cent annually, investments of from 3 to 4 per cent of the national income are needed merely to maintain the former per capita production level. Consequently, with a population growth, for example, in India of 1.5-1.6 per cent annually, it is necessary to set aside from the slowly increasing national income from 5 to 7 per cent only to preserve the present low level of production and consumption! Since all investments in the best years of the Second Plan did not exceed 8-10 per cent of the national income and in the years of the First Plan did not top 5 per cent, we can clearly see why the indisputable and quite considerable economic advances could not bring about a telling growth in per capita income. Its low level naturally cannot be ascribed solely to population growth, as is usually done by bourgeois economists; it is rooted in the general economic — and especially industrial—backwardness of the country owing to

[13] *Statistical Year Book*, New York, 1949-1950, pp. 406-407; *Economic Survey of Asia and the Far East*, Bangkok, 1958, p. 176; *Monthly Abstract of Statistics*, New Delhi, June 1961, p. 89.

[14] *Hindustan Times*, April 6, 1959.

its prolonged colonial exploitation in the past and continued plunder by foreign capital through non-equivalent exchange and the export of capital at present.

P. Moussa, a progressive French economist, rightly asserts that non-equivalent exchange, as a result of which agrarian countries are deprived approximately of one-third of the value of their agricultural output, underlies the increasing plunder of developing nations by the imperialist states. [15]

Without extending this assertion to all agrarian countries and to all periods, and even considering the substantial fluctuation of export prices, it must be admitted that this statement has a sound basis. Studies made by the United Nations covering a long period (1876-1946) show that the purchasing power of a unit of raw material in exchange for manufactured goods dropped by 31.3 per cent in 70 years. [16] Non-equivalent exchange increased sharply after 1953, i. e., after the end of imperialist intervention in Korea. If we take the prices of 1953 as 100, the prices at which West Germany sold its manufactured goods in 1960 were 101 and the prices at which it purchased raw materials, 91 (that is, a gap of 10 in favour of West Germany). In the case of Britain the respective figures are 110 and 98; the United States, 108 and 100; Japan, 98 and 83. [17] Moussa rightly says that political independence does not save less developed countries from this form of plunder.

The reasons for the slow and insignificant growth of per capita income in India and the other less developed countries, even in a period of industrial advance, are bound up with the contradictory and extremely unstable capitalist road of development followed by these countries.

The continued plunder of young sovereign states by foreign capital is inflicting tremendous harm on their economic development and retarding the accumulation of national capital. A considerable part of the surplus product is removed from these countries in the form of exports of profits, interest on loans and other forms of capitalist income. The figures on page 12 give an idea of the scale of this process (million dollars). [18]

The export of profits from the developing countries by private capital in six years was 82 per cent higher than current investment.

Since all payments to foreign states for the capital received from them are made by the less developed countries chiefly from their

[15] Cf. *La nouvelle critique*, Paris, Avril 1961.

[16] *U.N. Instability in Export Markets of Underdeveloped Countries*, New York, 1952, pp. 4-6; *U.N. The Economic Development of Latin America*, Lake Success, 1950, p. 9; W. Krause, *Economic Development. The Underdeveloped World and American Interest*, San Francisco, 1961, p. 39.

[17] *U.N. Current Economic Indicators*, Geneva, 1960, p. 29.

[18] Cf. *International Trade 1959*, Geneva, 1960, p. 29.

	1953	1954	1955	1956	1957	1958	Total
Import of private foreign capital by Asian, African and Latin American countries .	432	810	744	1,865	2,532	1,212	7,595
Export of profits from these countries. . . .	1,732	1,908	2,340	2,552	2,784	2,518	13,834
Excess of export of profits over import of capital.	1,300	1,098	1,596	687	252	1,306	6,239

export receipts, it is clear that a considerable share of these receipts goes to cover the profits of foreign capital.

The following data give an idea of the net payments to foreign monopolies, in percentage of the value of goods exports by the developing countries in 1951-1959. [19]

	Number of countries	1951-1955	1956-1959	Increase, percentage
Developing areas	49	9.4	11.6	24
Of which:				
Africa	8	9.9	11.0	11
Latin America	21	12.2	14.7	20
Middle East	8	13.1	16.8	28
Southeast Asia	9	3.6	4.4	22
Others	3	0.7	0.2	—

Soviet Academician S. Strumilin has calculated that the annual losses of the less developed countries, caused by their specific position as the "world countryside" chronically subjected to imperialist exploitation, amount to $ 24,500 million, including $ 16,000 million as a result of the manipulation of prices in foreign trade, i. e., through various types and forms of non-equivalent exchange.

It is not surprising that the huge export of profits from the developing countries places them in an exceptionally difficult position and limits their resources for reproduction on an extended scale and for an improvement of the people's well-being. In turn, this leads to the people's growing dissatisfaction and disappointment in the capitalist way of development. The people gradually learn from their own experience that the capitalist way, far from precluding, even increases the plunder of young sovereign states by foreign capital. Lastly, the ever widening gap in the economic development levels between a few imperialist powers and the liberated countries comprising the majority of the world's population, preserves the conditions for the exploitation of these countries by the imperialists. This contradiction cannot be removed by following the capi-

[19] *U.N. International Flow of Long-Term Capital and Official Donations*, 1951-1959, New York, 1961, p. 32.

talist way of development.. It is not surprising that even Western politicians are compelled to admit that the general tendency in the new states with a developing economy and in Latin America is a striving for socialism in one or another form as a method for improving the situation in the social and economic spheres through rapid and planned development. [20]

Even a few years ago the thesis about the attractiveness of socialism for the less developed countries was not publicly considered by any highly placed U. S. statesmen. All of them, beginning with John Foster Dulles, claimed that the socialist community wanted to impose the socialist way of development on these countries by force. It was asserted that the socialist road was organically unacceptable for the developing countries, that the peoples of these countries rejected socialism as "totalitarianism" and that it was the American way of capitalist development that furnished the pattern worthy of being copied. But even then the "spectre" of socialism as an alternative to capitalism was harassing some far-sighted representatives of American imperialism. Chester Bowles, Averell Harriman and John Kennedy repeatedly warned of the sympathies for socialism growing in the young sovereign states. Towards the end of his life John Foster Dulles also had to admit the attractiveness of the "communist programmes" for the countries of Asia and Africa.

With the advent of the Kennedy Administration, the growing influence of socialism among the people in the less developed countries was officially admitted by all from the highest-placed statesmen downwards. During the 1960 presidential election campaign Kennedy said: "The relative power and influence of the United States is not increasing". [21]

There are profound reasons for this highly indicative admission. In the recent past capitalism was represented in the former colonies chiefly, and in a number of cases exclusively, by Western businessmen. No one can convince the people in the less developed countries that capitalism has brought them material or moral benefits, an easier or better life. On the contrary, the experience of many generations and of thousands of millions of people inhabiting Asia, Africa and Latin America, daily and palpably convinces them that capitalism has been, and remains, their exploiter, that it is not the best way of development and that their own and foreign capitalists cannot offer any real way to achieving such economic independence as would steadily improve the people's lives. [22]

The people in the former colonies dislike capitalism in general and foreign capitalism in particular because they associate it with

[20] Cf. *Ideology and Foreign Affairs*, Washington, 1960.

[21] *New York Times*, October 9, 1960.

[22] See on this point the interesting statements made by U.S. ex-ambassador to Indonesia P. Jones (*Department of State Bulletin*, Washington, May 16, 1960, pp. 786-787).

"the dangers of alien domination and the links between capitalism and imperialism".[23] A significant statement on this point has been made by Prof. S. Padover who in recent years has travelled extensively in Asian countries. He writes in the *New York Times Magazine* that the American is looked upon with suspicion and frank disapproval in almost all Asian countries; Americans should bear in mind that Asians hold a basically negative attitude to capitalism both as a concept and as a system, that actually, almost all former colonies draw a sign of equation between capitalism and imperialism. On the whole, in the Asian view, capitalism is a brutal system which exists primarily for the rich, it is hostile to the people's welfare, and its further existence rests on arms and economic imperialism.

Asserting that people abroad have lost faith in the United States, Padover insistently recommends the U.S. Government to take measures to bridge the abyss in mutual understanding and to get Asians to appreciate the "positive" aspects of contemporary capitalism.[24]

Foreign, colonial capitalism has always been reactionary. At no stage in history has foreign capitalism acted in the colonies otherwise than as a force suppressing national development in every sphere and in every form. In the colonies where foreign capital has not been restricted by anything or anyone in exploiting and enslaving the people, it has not advanced, nor could have advanced, the productive forces to any appreciable extent. And this is having its repercussions now. Hundreds of millions of people freed from the colonial yoke had all their lives toiled for the foreign capitalists, unaware of the so-called positive traditions of Western capitalism. Now gradually, painfully, in keen internal struggle against their own capitalists, they are becoming convinced of the hopelessness and senselessness of building their national economy along capitalist lines. Attempts to prove that capitalism has not yet fully displayed its abilities in the newly-independent countries and that, given substantial investments from Europe and the United States, it will prove capable of radically transforming these countries and creating prosperity for their people, are utterly unconvincing and are daily being refuted by experience.

Now that a world socialist system has been formed and many countries have gained independence—and these factors are exerting a tremendous impact on the struggle of the peoples for national and social emancipation—colonialism is no longer able to exist in the old brutal and forcible forms which have gained it ill fame. Concessions to the peoples in the former colonies, including the aid policy,

[23] R. Emerson, *From Empire to Nation. The Rise to Self-Assertion of Asian and African Peoples*, Cambridge, 1960, pp. 410-411.
[24] *New York Times Magazine*, March 4, 1962.

are necessitated by the desire of the imperialist monopolies to continue exploiting the sources of raw material, cheap manpower and spheres for capital investment.

This new form of colonialist policy is now known as neo-colonialism. The loss of political domination in the colonies is forcing the imperialist powers to look for more flexible, more up-to-date, less direct forms that would enable them to retain, at least in part, their economic privileges. The striving of the newly-free peoples for full independence is increasingly manifested in developing their economy along socialised lines, which stand in contrast to both the old and the new colonialism. This trend is connected with active struggle for peace and peaceful coexistence as a prerequisite for the attainment of full independence. Speaking of the collapse of traditional colonialism and the need to adapt imperialist colonial policy to the new conditions, we must bear in mind the exceptionally great interest of the U. S. monopolies in continuing and extending the exploitation of the raw material resources in the less developed countries. The dependence of the United States on the imports of strategic industrial raw materials plays no small part in shaping the policy of American neo-colonialism. According to data made public in the report of the National Security Seminar in 1960, imports covered United States consumption to the following extent: oil 20 per cent, iron ore 30 per cent, copper 32 per cent, lead 69 per cent, cobalt 79 per cent, manganese 85 per cent, bauxites 85 per cent, nickel 89 per cent, chromium 90 per cent and tin 100 per cent.[25]

American politicians do not think that the end of colonialism spells the end of domination by the imperialist world in the less developed areas. Robert Kennedy, for example, writes that "the end of colonialism opens rather a new era in the relationship between West and East". In his opinion, it is in the interests of the West "to narrow the frightening gap between the rich nations and the poor" so as to strengthen its positions.[26]

The neo-colonialist policy of the United States is designed not so much to preserve the doomed and moribund colonial system, but primarily to reinforce capitalism in the economically backward countries as the prevailing mode of production, and consequently to prolong its life in general. The basic objective of U.S. neo-colonialism is to secure in the former colonies the triumph of reactionary forms of economic development and set up a corresponding political and social structure controlled by the United States.

Young Asian and African capitalism, according to the idea of U.S. politicians, should strike strong root in the former colonies, thereby ushering in a new stage in the development of world capital-

[25] *National Security Seminar, Presentation Outlines and Reading List, 1961-1962*, Washington, 1962, p. 96.
[26] R. Kennedy, *Just Friends and Brave Enemies*, New York, 1962, p. 176.

ism. The policy of rejuvenating the organism of the decrepit world capitalist system by injecting in it fresh blood from Asia, Africa and Latin America is being increasingly pushed to the foreground in the United States, Britain, West Germany, France, Japan and other imperialist powers.

The historical task, as it is understood by the American strategists, consists not so much in preserving colonial regimes on a territory with a population of some 40-45 million people, that is, approximately 1.5 per cent of mankind, as in preventing the non-capitalist way of development from triumphing in the liberated countries which extend over three continents and comprise 45 per cent of the world's population. The thing uppermost in the minds of U.S. politicians is to see that the national-liberation struggle against colonialism does not turn against capitalism. They are not really interested in helping the less developed countries. What they want is to use aid in such a way as to reinforce the capitalist system in the world. If for this purpose it is necessary to sacrifice some corrupt puppets who have discredited themselves and the regimes they head, this price will be paid to prevent those countries from taking the socialist road. The fate of Syngman Rhee, Menderes, Bayar, Ngo Dinh Diem and others is of little concern to the American imperialists when the fate of capitalism and American control is at stake in one or another country dependent on them.

The monopoly bourgeoisie of the United States is the mainstay of international imperialism. It has assumed the role of the "saviour" of capitalism, not only with regard to the European countries but also with regard to the countries of Asia, Africa and Latin America. Support for reactionary regimes, opposition to democratic reforms, the unleashing of local colonial wars and the whipping together of aggressive blocs are covered up by the U.S. monopolies with false phrases about defending and saving the "free world" from "totalitarian" communism. "U.S. monopoly capital, gorged on war profits and the arms race, has seized the most important sources of raw materials, the markets and the spheres of investment, has built up a unique kind of colonial empire and become the biggest *international exploiter*." [27]

The continued economic exploitation of the less developed countries, by the United States in the first place, is the objective basis for the further deepening and aggravation of contradictions between the socialist and neutralist countries, on the one hand, and the imperialist states, on the other.

These contradictions are neither temporary nor transitory, but fundamental and antagonistic and they will vanish only when

[27] *The Road to Communism. Documents of the 22nd Congress of the Communist Party of the Soviet Union* (hereafter *The Road to Communism*), Moscow, p. 476.

the imperialist system is abolished. The less developed countries, which still play the part of a "world countryside" within the framework of the world capitalist economy and for this reason are subjected to semi-colonial exploitation, are incapable of revitalising the decrepit world capitalist system and providing it with new potentialities for development. The hopes of the colonialists and their allies in the less developed countries to confine the liberation movement of the peoples and the social movement of the workers to the narrow bounds of bourgeois reforms and thereby prolong the existence of capitalism in Asia, Africa and Latin America, are reactionary and illusory. There is one basic flaw in strategy of this kind: a radical turn from capitalism to socialism has already occurred and it is this that determines our age.

Lenin pointed to the anti-capitalist trend of the national-liberation movement and its great revolutionary role in the process of transition to socialism. He wrote: "... Capitalism is ripe and overripe. It has outlived itself. It has become the most reactionary impediment to human progress." [28] This led Lenin to assert that "in the coming decisive battles of the world revolution the movement of the majority of people, originally aimed at national liberation, will turn against capitalism and imperialism, and, perhaps, play a much greater revolutionary role than we expect.... The mass of the working people, the peasants in the colonies, though they are now still backward, will play a most important revolutionary role in the subsequent phases of the world revolution." [29]

The disintegration and final abolition of colonialism is a form of the prolonged process of abolishing capitalism. It is this turn of events that Lenin foresaw: in a world where socialist states victoriously develop, the national liberation of the oppressed peoples and the formation of national states by them will lead not to the advance of capitalism but will deal it a severe blow and, by weakening the world capitalist system, intensify the popular struggle for socialism.

The alarm expressed by highly-placed U.S. officials concerning the nature of the national-liberation movement today is quite understandable. Thus, Chester Bowles insistently calls for finding a "political and economic alternative" to socialist development. If such an alternative is not put up in contrast to the socialist development in Asia, "whatever long-range hope may exist for the growth of free democratic societies (meaning capitalism.—*R.U.*) in the vast arc between Tokyo and Casablanca" will probably fail. [30]

The point is not merely that U.S. leaders favour a more flexible policy in the developing countries because the line of supporting

[28] В. И. Ленин, *Сочинения*, т. 39, изд. 5, стр. 116.
[29] В. И. Ленин, *Сочинения*, т. 44, изд. 5, стр. 38.
[30] Ch. Bowles, *The Coming Political Breakthrough*, New York, 1959, p. 160.

outright reactionary regimes of Syngman Rhee, Menderes, Ngo Dinh Diem, Chiang Kai-shek, Nuri Said, Batista, Trujillo and others has been utterly discredited. The main thing is that the numerous failures of American policy in Asia, Africa and Latin America have been objectively caused by the big successes of the national-liberation movement and its alliance with socialist countries. The countries of Asia, Africa and Latin America which in the last 10 or 15 years have begun building a national economy have advanced at a relatively slower pace than the Asian socialist countries (see Table 1).

Table 1

Growth Rates of Industrial Output in Asian Socialist and Non-Socialist Countries *

	Year taken as a basis	Increase of 1960 volume of industrial output, percentage of:	
		year taken as a basis	1955
Korean People's Democratic Republic	1949	620	350
Democratic Republic of Viet-Nam	1956	260	—
Mongolian People's Republic	1940	740	130
India	1950	200	40
Pakistan	1950	370	40
Turkey	1950	210	40

* Calculated from data published in *World Marxist Review*, 1959, No. 11; see also *Monthly Abstract of Statistics*, New Delhi, December 1959, pp. 22-23, 98; February 1960, pp. 24-67; *Economic Survey and Statistics for 1958-1959, 1959-1960*, Karachi, pp. 2-10; *Bulletin statistique de OEEC. Statistiques générales*, Paris, 1960, No. 1, p. 42.

The big progress registered by the Asian socialist countries in eliminating their economic and cultural backwardness is especially significant when viewed against the widening economic gap between the advanced and less developed countries in the capitalist world in postwar years.

The late John Kennedy must be given credit for understanding the essence of the problem when in a special message to Congress he admitted that the developing countries had become a great arena of struggle between capitalism and socialism and the United States would commit a grave error by examining their problems only in the military context.[31] Sulzberger noted: "We see NATO divided, CENTO moribund and SEATO virtually dead."[32]

[31] *New York Times*, May 23, 1961.
[32] *New York Times*, February 17, 1964.

There are no grounds for assuming that the policy of the United States in the less developed countries is changing basically. But the fact that the shopworn dogmas of this policy have revealed their obsolescence and that a change of forms, means and methods has become imperative, is very important. The U.S. Administration is introducing changes chiefly because of the continued struggle of the peoples for their political and economic liberation, the successes of the Soviet Union and the other socialist countries and also the growing attraction which socialism has for the people in Asia, Africa and Latin America.

The Programme of the Communist Party of the Soviet Union is rightly regarded by imperialist ideologists as a source of great worry for them, especially over the immediate destinies of capitalism in the former colonies. U.S. imperialism has not produced, nor can it produce, an attractive and all-embracing programme for the peoples in the economically backward countries. It can offer them nothing but capitalism, which, as they know from their own experience, is the road of suffering for them. Little wonder that such a programme is not popular.

CHAPTER II

THE EXPORT OF CAPITAL AND AID TO THE LESS DEVELOPED COUNTRIES

Official data on the international flow of long-term capital and state subsidies between 1951 and 1959 [1] were made public in 1961 by the U.N. Department of Economic and Social Affairs in compliance with a resolution passed by the U.N. General Assembly on December 15, 1960. For all the incompleteness of some of the statistics and certain flaws in the grouping by category of capital, etc. (this is mentioned by the authors of the report), it is an important source of economic data.

The very fact that the report covers the flow of capital in the 1950's is of great interest. For it was during this period that the world socialist system gained in strength, becoming the decisive force in world history; it was then that the disintegration of imperialism's colonial system proceeded on a wide scale and at a rapid pace, first in Asia and then in Africa. The late 1950's were marked by an upswing of the anti-imperialist struggle in Latin America. The economic advance of most of the developing countries which had broken away from the imperialist system was accelerated in the early 1950's and particularly in the mid-1950's. Some of these countries launched industrialisation programmes. In most of them a state sector arose in the economy and gained in strength. The development of national capital was accelerated and private foreign capital was to some extent subjected to state control. Foreign property was nationalised in a number of countries. The relations between less developed and imperialist countries grew more acute.

It was during this period that the so-called foreign aid policy originated in the United States and was applied on an increasing scale as a means of preserving the capitalist system in other countries, of conducting the cold war against the socialist community and harnessing as many of the developing countries as possible to the chariot of U.S. imperialism. Military-political blocs of the United States, Britain and the other imperialist countries, functioning in the Middle East, Southeast Asia, the Far East and Latin America, arose in this decade. The 1950's were a period of growing competition between the two antipodal social systems in all spheres. This competition naturally also affected the newly-independent countries. Some, led by the reactionary landowners and the bourgeoisie connected with foreign capital and feudal elements, toed the U.S. line and took the road of anti-communism. The class struggle became keener in all the developing countries, the striving for the non-capitalist way grew stronger, and differentiation of the class forces participating in the general national struggle against imperialism increased.

In short, the statistics in the report relate to one of the most interesting periods of postwar development.

Let us examine these statistics. [2]

* * *

Between 1951 and 1959, the sum of $53,800 million of state subsidies and long-term investments was exported by 11 capital-exporting countries. [3]

Table 2 allows us to draw a major conclusion—that state subsidies (called "official donations" in the report) and the capital of official banking institutions (the International Bank for Reconstruction and Development, the U.S. Export-Import Bank, International Development Association, International Monetary Fund, etc.) reached the huge sum of $30,000 million in the total postwar flow of long-term capital and dominated the entire flow of capital (31+23=54 per cent); state subsidies alone accounted for one-third of the entire flow. Private capital contributed less than half (46 per cent). Imperialist states, where state-monopoly capitalism prevails, are constantly intervening, in the interests of the financial oligarchy, in the process of capitalist reproduction.

The imperialist states have accumulated a gigantic mass of surplus capital on an unprecedented scale. It is used by them to enrich the monopolies, suppress the working-class movement and the national-liberation struggle, save the capitalist system and launch aggressive wars. After the Second World War, essential changes occurred in the traditional composition of capital exports and their geographical distribution. These were caused by the specific conditions of the struggle between the two systems, one of which, the socialist, is promoting the liberation movement and the break-up of the co-

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[1] *U.N. International Flow of Long-Term Capital and Official Donations 1951-1959*, New York, 1961 (hereafter *International Flow...*).

[2] In all cases the report shows the balance of payments as regards the flow of capital, i. e., it gives the net result after calculating the entire influx and outflow of capital and deducting the smaller sum from the bigger.

[3] Belgium-Luxemburg, Denmark, West Germany, Finland, France, Japan, the Netherlands, Sweden, Switzerland, Britain and the United States.

Table 2

Net Export of Long-Term Capital and State Subsidies *

	Total	Of which		
		state subsidies	state and official banking capital	private capital
I. Capital exported by 11 capital-contributing countries, million dollars	53,786	16,799	12,558	24,429
Percentage	100	31	23	46
II. Including capital exported by the U.S.A., million dollars	38,622	16,929	3,598	18,095
Percentage of item I	72	100	29	74
III. Received by the less developed countries, million dollars	32,448	15,247	8,145	9,056
Percentage	100	47	26	37
Percentage of item I	60	91	65	37

* Source: *International Flow...*, pp. 5-7.

lonial system, while the other, the imperialist, is using every means of military and political pressure and military and economic aid to preserve the colonial system. The monopolies have entrusted the state and the international financial ogranisations with the task of preserving capitalism in the "world countryside". "The state has become a committee for the management of the affairs of the monopoly bourgeoisie." [4] The latter is now faced with new tasks—to reinforce its positions in respect of the victorious national-liberation movement and the new national states, to find means for preventing their alliance with the socialist community and to consolidate the periphery and the centre of the capitalist system.

This is graphically reflected in the above table.

The imperialist powers would have never undertaken to greatly extend the export of state capital to the less developed countries, and especially to grant some of them large free subsidies, has this not been dictated by historical necessity. The all-embracing struggle of the oppressed peoples who enjoy the support of the socialist community has made it impossible to cofinne capital exports to old methods alone. Political motives have begun to play a primary part. Today capital exports are not always directly connected with the extraction of maximum profit; not in all cases does capital seek to flow from the fields with the lowest profits to the fields with the biggest profits. The national-revolutionary movement and the com-

[4] *The Road to Communism*, Moscow, p. 471.

petition between the two social systems, as a specific form of the international class struggle, ultimately determine one of the basic questions of our time: what path of development the economically backward countries should take. This is compelling the countries of state-monopoly capitalism to revise their economic strategy, including the objectives assigned to capital exports. Naturally, the international flow of capital is based on the system of the economic relations of capitalism at its imperialist stage. But we must bear in mind that the class and national-revolutionary, i.e., political, struggle substantially alters the traditional, classical forms of the flow of capital, reflecting the sharper struggle of antagonistic classes, states and social systems.

The table given earlier corroborates one of the basic propositions of the C.P.S.U. Programme, namely, that the economic and, accordingly, the political and military centre of imperialism has shifted from Europe to the United States. Indeed, the United States accounts for 72 per cent ($ 38,600 million) of the entire international exports of long-term capital, including the whole sum ($ 17,000 million) of state subsidies to foreign countries and 74 per cent ($ 18,000 million) of private capital exports.

U.S. imperialism's claims to world domination and the striving to block the road to socialist and national-liberation revolutions have necessitated colossal state outlays at home and abroad. As much as 91 per cent of the entire sum of foreign state subsidies ($ 15,200 million) and 65 per cent of all long-term investment of state and official banking capital ($ 8,100 million) have gone to the economically backward countries to preserve the positions of foreign capital and reinforce local capitalism, to maintain the most reactionary regimes in many of them.

The following, highly important fact is noteworthy: of the $ 24,400 million exports of *private* long-term capital only $ 9,100 million, or 37 per cent, went to the economically backward countries. What countries, then, received the bulk of private capital? Statistics show that it went to the industrially advanced countries in which capital finds the security necessary for its functioning—a favourable investment climate. The figures on page 24 give an idea of the net influx of private capital from 1951 to 1959. [5]

Consequently, six economically advanced countries with a population of 88 million, which are advantageous and safe importers of private capital, received 50 per cent more private capital than less developed countries with a population of about 1,500 million, which are badly in need of capital. Two countries, Canada and Australia, with a population of 26 million, received $ 9,411 million of private capital as against $ 9,056 million of capital exported to all the developing countries of the world combined!

[5] Cf. *International Flow...*, p. 3.

	Million dollars	Percentage of total
Total	24,429	100
Of which:		
economically backward countries	9,056	37
economically advanced countries	13,781	56
Of which:		
Canada	7,844	
Australia	1,567	
New Zealand	303	
Austria	123	
Italy	919	
Norway	488	
Contributions to international financial organisations	1,592	7

Thus, we witness a further concentration of long-term private capital exports controlled by a handful of the strongest capital-exporting and capital-importing countries with the highest level of economic development. At the same time, capital-hungry countries, having the majority of the population in the capitalist world, continue to be the object of semi-colonial exploitation; they are badly in need of large-scale disinterested assistance in the form of productive capital, which they cannot obtain in the capitalist world. The bulk of the exported private monopoly capital, which to a large extent is extracted from the meagre accumulations of the less developed countries, is chiefly invested in the industrially advanced capitalist countries.

The U.S. monopolies are securing maximum profits by new methods, including the militarisation of the economy of the United States and its allies and greater economic expansion in Canada, Australia, New Zealand, a number of West European countries, Japan and so on. New features mark the very serious expansion of American state-monopoly capital to the area of the disintegrating colonial system, particularly countries of the former British, French and Dutch colonial empires. This is the zone of open resistance to the political and economic domination of the foreign monopolies, a zone of unremitting anti-imperialist struggle. To make inroads into countries of this zone monopoly capital is now forced to employ a different method than in the past. "The days when a Western nation could call the tune and the Asian subject peoples would dance to it have ended in the smoke and fire of revolution across a whole continent," wrote Chester Bowles.[6]

After the Second World War, U.S. ruling circles constantly reviewed the question of private capital exports to the economically backward countries. From 1950 to 1959, several official commissions (Gray in 1950, Rockefeller in 1951, Randall in 1954, Strauss-Dillon in 1959 and others), studied this question. The task of these commissions was to recommend measures to stimulate the flow of private capital to the less developed countries with the object of ensuring the full victory of capitalism in them under the supervision of the United States.

[6] Ch. Bowles, *The Ambassador's Report*, New York, 1954, p. 388.

W. Krause, a specialist in the economic development of the newly-independent countries and American aid policy, wrote: "Despite an expression of hope that the great bulk of the country's capital exports might occur under private auspices, and despite moral and real encouragements to this end, actual performance—during recent decades—has consistently failed to reflect the desired emphasis on private capital.... On the one hand, the U.S. has continued to seek the magic formula that might serve to unleash a flow of private capital of unprecedented magnitude towards foreign investment outlets. On the other hand, the U.S. has found itself in the business—in some ways ever more so—of providing supplementary capital through governmental channels, i. e., supplementary to private capital, as a consequence of the failure of private capital movements to reach the volume desired."[7]

The flow of private monopoly capital in the 1950's was a fairly good barometer of the political and the investment climate. The bulk of this capital did not go to the less developed countries, notwithstanding the insistent and numerous calls of Dulles, Dillon, Bowles and many other government officials of the United States, Britain and other countries. The monopolies did not want to make big investments in countries newly liberated from imperialist domination; in which they were likely to encounter hostility, social and political instability and uncertain economic prospects.

The monopolies had no desire to take this risk on their own. When they did send their capital to these countries they insistently demanded that their governments make investments of state or official banking capital in double or treble amounts to pave the way for private enterprise. The monopolies pressed their states to make colossal outlays for building the economic infrastructure. They also insisted on obtaining guarantees against nationalisation from the capital-importing countries, not to mention the claims for numerous privileges as regards taxation, repatriation of their capital, the transfer of profits abroad, etc. But even when these terms were met, private monopoly capital tended to go to countries where it could operate safely.

If we divide the nine-year period (1951-1959) into two parts (1951-1955 and 1956-1959) and compare the flow of all capital, including private, we get the following results (Table 3).

The average annual influx of private long-term capital in the less developed countries rose by $ 480 million between 1956 and 1959,

[7] W. Krause, *Economic Development. The Underdeveloped World and American Interest*, San Francisco, 1961, p. 304.

Table 3

Average Annual Net Influx of Capital into the Less Developed Countries*

	1951-1955		1956-1959		1956-1959, percentage of 1951-1955
	Million dollars	Percentage	Million dollars	Percentage	
Total.	2,944	100	4,456	100	152.
Of which:					
state subsidies. . . .	1,281	44	2,197	49	171
total investments of long-term capital.	1,663	56	2,259	51	136
Including:					
state and banking capital.	869	29	986	22	114
private capital . .	794	27	1,273	29	161

* Source: *International Flow...*, pp. 6-7.

or 61 per cent, as compared with the period from 1951 to 1955, which is a substantial increase. But its share in the total influx of capital in the less developed countries rose only from 27 to 29 per cent, i. e., it remained more or less stable at a level of less than one-third. At the same time the average annual net influx of private capital to the developed countries grew from $ 1,046 million to $ 2,139 million, or by 110 per cent.[8] It is not surprising that the share of the less developed countries in the total international flow of private capital dropped from 41 per cent in 1951-1955 to 34 per cent in 1956-1959.[9] In other words, though in absolute figures the flow of private monopoly capital to the less developed countries in the second half of the period rose as compared with the first half, the relative share of these countries in the total international flow of private capital continued to shrink.

Private U.S. investment grew more active in the second half of the 1950's, with average annual exports increasing from $ 1,280 million to $ 2,924 million, or by 130 per cent. Of considerable importance in this respect was the desire of U.S. monopoly capital to increase investment in Latin American countries like Argentina, Brazil, Chile, Puerto Rico and, above all, in oil-rich Venezuela, whose imports of private capital rose on the average from $ 73 million to $403 million annually.[10]

Table 3 shows that state subsidies registered the biggest increase. These subsidies were steadily becoming the main instrument for

[8] *International Flow...*, p. 6.
[9] *Ibid.*, p. 7.
[10] *Ibid.*, p. 19.

influencing the policy of the ruling circles in the less developed countries and at times the means for the direct or indirect bribing of the upper crust.

That the United States discontinued subsidies to West European countries and Japan was an essential feature, setting apart the second half of the 1950's from the first.

A considerable portion of the funds thus released was sent by the United States to the less developed countries; it also to some extent reduced its share in the total sum of subsidies. The United States, moreover, impelled the West European countries and Japan to spend annually up to $ 800 million as subsidies.[11] Between 1956 and 1959, a group of imperialist countries undertook big collective financial measures aimed at strengthening their positions in Asian, African and Latin American countries and preventing a financial crash in a number of them. This is a new form in which a collective drive on young national states is being effected.

This period is also marked by greater activity of the International Bank for Reconstruction and Development and the International Finance Corporation (Table 4).

Table 4

Loans of the International Bank for Reconstruction and Development and the International Finance Corporation*

Recipient countries	Total for 1951-1959		Annual average			
			1951-1955		1956-1959	
	Million dollars	Percentage	Million dollars	Percentage	Million dollars	Percentage
Developed countries .	731	31	56	29	113	32
Less developed countries	1,612	67	125	66	243	68
Of which:						
Africa.	413	17	44	23	49	14
Latin America . .	517	22	58	30	54	15
Southeast Asia . .	540	22	14	7	117	32
Middle East . . .	136	6	8	4	24	7
Other countries . .	5	—	1	2	—	—
Yugoslavia	49	2	10	5	—	—
Total . .	2,392	100	191	100	355	100

* Source: *International Flow...*, p. 9.

The I. B. R. D. and the International Finance Corporation have particularly extended their activities in Southeast Asia. Their loans

[11] *Ibid.*, p. 8.

to the less developed countries increased by $ 118 million annually between 1956 and 1959; Southeast Asia accounted for $ 103 million of the increment, as a result of which its share in total loans of international financial organisations rose from 7 to 32 per cent.

In examining the financial policy of the imperialist powers with regard to young sovereign states, account must be taken of the fact that in the second half of the 1950's economic cooperation of the Soviet Union and the other socialist states with the less developed countries became a factor which was ultimately to exert decisive influence on increasing the flow of international capital to these countr es.

According to data of the U. N. report, the socialist countries, on the basis of bilateral agreements with less developed countries, granted the latter credits of $ 822 million in the postwar period up to 1957 and in the next three years, from 1958 to 1960, $ 2,241 million. Moreover, during this period Yugoslavia granted them $ 135 million. Of the total sum of $ 3,198 million, Africa accounted for $ 241 million (7.5 per cent); Latin America, $ 232 million (7.3 per cent); the Middle East, $ 1,027 million (32.1 per cent); Southeast Asia, $ 1,698 million (53.1 per cent).[12] The economic efficacy of the loans and credits given by the socialist countries is greatly enhanced by their easy terms.

Assistance by the socialist countries is associated with plans for industrialising the young states and building up the national manufacture of means of production. Hence, it is highly efficient. Financially it is not burdensome because the repayment of the debt is in no way a drain on the foreign-exchange and gold reserves of the recipient countries. Lastly—and this is most important—assistance by the socialist community is based on the principle of political equality, national sovereignty and equal economic relations, and promotes the developing countries' attainment of economic independence.

A period of direct reconstruction of the economy in many less developed countries began in the early and mid-1950's. During this period the economic and technical competition between the two systems grew noticeably stronger. This competition also affected the building up of a modern large-scale industrial economy in the developing countries. The imperialist states have been compelled to accept this competition, but they are taking part in it without any desire to render disinterested aid to the developing countries and are pursuing selfish ends by trying to control their economic development.

The world socialist community and the national-liberation revolutions have thus substantially undermined private monopoly capital in the former colonies, have deprived it of many key economic positions and also limited its potentialities which under other circumstances would have added to its strength through the unrestricted exploitation of manpower and natural resources.

[12] *International Flow...*, p. 34.

Disintegration of the political forms of colonialism and the competition between the two world systems have essentially affected the international flow of capital, compelling private capital to withdraw to the background and advancing to the forefront other kinds of capital, more adapted to operating in conditions of the tense struggle in the developing countries. This struggle is centred around the fundamental issue—which road of socio-economic development to take.

* * *

The amount of foreign capital flowing into different less developed areas as compared with the size of population is of considerable interest. Let us examine the figures.

Table 5

Percentage Distribution of Average Annual Receipts of Long-Term Capital by Less Developed Areas (Compared with Size of Population)*

	1951-1955			1956-1959		
	Population	Influx of capital	Of which private capital	Population	Influx of capital	Of which private capital
Africa	10	25	14	10	16	5
Latin America	16	28	51	16	37	66
Middle East	7	14	5	7	16	5
Southeast Asia	56	9	4	56	16	1
Other areas	11	23	27	11	15	22

* Source: *International Flow...*, p. 24.

Table 5 shows that private monopoly capital flowed mainly to Latin America—the safest area for it, near the United States which is the centre of contemporary capitalism. Possessing 16 per cent of the population of the less developed world, the Latin American countries attracted 66 per cent of private monopoly capital, chiefly from the United States. On the other hand, Africa, the Middle East and Southeast Asia, comprising 73 per cent of the population of the less developed world, attracted only 11 per cent of private monopoly capital.

Data on the international flow of long-term capital to countries grouped according to the per capita income level are also highly illuminating (Table 6):

Table 6

Percentage Distribution of the Net Influx of Foreign Capital, by Per Capita Income Groups of Less Developed Countries
(annual averages)*

Groups of countries with an average per capita annual income (dollars)	Countries in this group
I. Up to 100	Bolivia, Burma, Congo, Ethiopia, Haiti, India, Indonesia, Jordan, Liberia, Pakistan, Sudan
II. 100—199	Brazil, Ceylon, Colombia, Dominican Republic, Guatemala, Honduras, Iran, Iraq, Nicaragua, Paraguay, Peru, Philippines, Rhodesia and Nyasaland, United Arab Republic
III. 200—299	Costa Rica, El Salvador, Mexico, Panama, Turkey, Greece
IV. 300 and over	Argentina, Chile, Cuba, Israel, Lebanon, Puerto Rico, Union of South Africa, Venezuela, Spain

Group of countries	Population		Total capital		Of which					
					State subsidies		Long-term capital			
							State and banking		Private	
	1951-1955	1956-1959	1951-1955	1956-1959	1951-1955	1956-1959	1951-1955	1956-1959	1951-1955	1956-1959
I	61	60	15	24	31	43	10	45	3	1
II	25	26	29	24	12	14	49	25	35	29
III	6	6	18	13	26	12	5	11	16	14
IV	9	8	38	40	31	31	36	19	46	58

* Source: *International Flow...*, p. 25.

Private capital was especially attracted by less developed countries with a relatively high level of per capita income. Although these countries had only 8 or 9 per cent of the population in the less developed world, they accounted for 58 per cent of the net influx of private capital. In the other developing countries with a lower per capita income, the share of private capital in the total influx substantially declined, while in countries with the lowest income, which include India, Indonesia, Pakistan and Burma, there was even an outflow of private capital. But it is this group of countries, in which a sharp internal social struggle developed in the 1950's, that is politically and strategically of the greatest importance for the imperialist powers which are anxious to keep them in the capitalist orbit.

The nature of movement of private monopoly capital, the range of its inflow and outflow reflect a certain median line passing between two extremes. This, on the one hand, is the quest for maximum profit

with the consequent flow of capital to areas ensuring such profit, and, on the other, the panicky fear of complete or partial loss of capital with a resultant outflow and at times even flight from countries which do not offer or have not yet created a "favourable climate" for foreign investment.

In the latter case private monopoly capital, making use of the imperialist state, seeks to pump state-monopoly capital into these countries, as is clearly demonstrated by the above table. While sharply reducing the flow of private capital into the first group of countries with the lowest per capita income and the most unfavourable social climate for investment, it directed large state investments there. The influx of state subsidies into these "troublesome" but crucial countries rose by 50 per cent, while long-term investment of official and banking capital increased 4.5 times. This has been effected largely by reducing the share of state subsidies and official long-term investment in the second and third groups, consisting chiefly of Latin American and Middle Eastern countries (Turkey, Iran and Iraq before the 1958 revolution) with a medium level of income and a more favourable investment climate. The table brings out the desire of United States private monopoly capital for greater expansion in the Latin American countries throughout the 1950's.

But after 1959 "the spectre of Cuba" made foreign investors withdraw private capital from Latin America.[13] *U.S. News and World Report*, a magazine close to the State Department, wrote in regard to the radically changing investment climate in Latin American countries: "At a time when U.S. public funds are being poured in, the U.S. State Department is concerned over the flight of private capital from Latin America. U.S. officials estimate that flight at 3 billion to 4 billion dollars in recent years. Estimates of bankers run much higher."[14] According to other sources, this figure amounts to $6,000 million and even $10,000 million.[15]

Present-day monopolies do not always act directly and in the same way, prompted solely by the extraction of maximum profit. The obtaining of maximum profit, though it remains the ultimate and most important objective, at times is relegated by them to the background, while pushing to the foreground the aim of winning the confidence of a less developed state, harnessing its economy to theirs and keeping it in the world capitalist system. Southeast Asia, the Far East and Middle East are of primary strategic significance. They lie on the approaches to the socialist community. A tense national-liberation and social struggle is under way in them.

[13] Cf. *New York Times*, April 25, 1962.
[14] *U.S. News and World Report*, April 1962.
[15] *Des Moines Register*, May 5, 1962.

Political motives played the main part in the movement of capital in these areas throughout the 1950's.

There is no denying the fact that the state subsidies and long-term investments received by the developing countries for a time extend their foreign-exchange resources, as can be clearly traced in the period between 1951 and 1959, and especially during the second half of this period (Table 7).

Table 7

Distribution of Major Sources of Foreign Exchange Among the Less Developed Countries
(annual averages) *

	Percentage net influx of foreign capital (subsidies and long-term investment)		Percentage of merchandise exports	
	1951-1955	1956-1959	1951-1955	1956-1959
All developing countries	10	14	90	86
Of which:				
Africa	15	13	85	87
Latin America	8	13	92	87
Middle East	16	19	84	81
Southeast Asia	5	14	95	86

* Source: *International Flow...*, p. 27.

If we take the average annual level of foreign-exchange receipts in 1951-1955 as 100, the figure for the period from 1956 to 1959 will amount to 117 in the case of receipts from merchandise exports and 163 in the case of receipts of foreign capital—an excess of 46 points in favour of the latter. In Latin America, the respective figures are 115 and 208 (an excess of 93 points); the Far East, 143 and 184 (an excess of 41 points); Southeast Asia, 96 and 283 (an excess of 187 points).[16]

These figures indicate that the share of foreign-exchange receipts from merchandise exports is declining in the total receipts of all the developing areas of the world except Africa, while the share of foreign investments is growing. But they also attest to the gradual increase of foreign financial dependence of the economically backward countries on the imperialist states which are trying through financial aid to control the economic progress of the newly-independent peoples. At present the economic development of the former colonies, as in the 1950's, requires considerable imports of capital equipment.

[16] *International Flow...*, p. 27.

But the entire latter half of the 1950's was marked by a fall in the prices of raw materials and a rise in the prices of manufactured goods. However hard many developing countries tried to diversify their exports, introducing new kinds of raw materials, semi-manufactures and at times even finished goods, they covered their balance of payments deficits through the influx of capital—i. e., by contracting ever larger foreign debts.

This growing financial dependence is fraught with dangers for the developing countries, namely, the gradual economic enmeshing of the young states in the nets of foreign aid with the object of undermining their sovereignty. The economic consequences of this process consist in the mounting burden of foreign indebtedness and the payment by the developing countries of ever bigger sums as interest and dividends on the capital obtained.

Since all kinds of payments for foreign capital are made chiefly from export receipts, it is clear that an increasing share of exports goes to cover the profits of foreign capital.

* * *

The flow of capital to Asia is of particular interest. It was in Asia that the break-up of the colonial system began in the second half of the 1940's, frequently assuming the nature of national-revolutionary wars against imperialism. It was likewise in Asia where the United States, the chief capital exporter, acted as the suppressor of the liberation movement in the postwar period.

The huge amount of state-monopoly capital given to the ruling circles of Asian countries demonstrates the desire of the imperialists powers to reinforce the capitalist system there. Some representatives of the young states accept fettering deals with the monopolist because the capitalist way is more to their liking and they, moreover, expect to grab a piece of the pie for themselves. The influx of capital in the Asian countries which are military and political allies of the West proceeds chiefly in the form of diverse military aid accompanied by semi-occupation; in unaligned Asian countries it assumes chiefly the form of credits for the purchase of food, materials and equipment. This no doubt is of essential significance both for the economic development of the recipient countries and for struggle against the neo-colonialist aspirations of the Western powers.

In the first case, this struggle is extremely difficult and the striving of the progressive forces to abrogate the reactionary military alliances frequently leads to political coups and the overthrow of the pro-imperialist ruling upper crust. Recent years have witnessed many such instances. In the second case, the progressive forces are waging a mass struggle against the neo-colonialist tendencies in the economic aid of the imperialist powers, a struggle to prevent or eliminate its adverse consequences and organise a rebuff to

the mounting pressure of the imperialists on their country's foreign policy, which comes in the wake of loans and credits. This struggle is usually also directed against both the neo-colonialists who act as saviours of "free enterprise" and the reactionary groups of the local ruling classes inclined to compromise with imperialism.

Since the United States has succeeded in inveigling some Asian states into military blocs and fettering them with burdensome, unequal treaties, it is of interest to establish how the U.S. military and political strategy has affected the international movement of capital.

Table 8 reveals the political-economic basis for the movement of international capital from the Western states to Asian coutnries in 1954-1959. For example, 69 per cent of total investments (long-term and short-term) went to the military and political allies of the United States and Britain. In the case of long-term investments the share rises to 82.5 per cent. In other words, countries with 30 per cent of the population received 82.5 per cent of the long-term capital, while countries with 70 per cent of the population received 17.5 per cent. Such is the distribution of so-called aid when it becomes a means of maintaining regimes that suit the United States—in other words, an instrument of neo-colonialism.

As for short-term investments and the gold and exchange reserves which the less developed countries have abroad, 82 per cent were received by neutral countries for meeting their current needs. Prominent among them is India which accounts for 55 per cent of the entire amount of such receipts. It was during this period that India removed from its sterling accounts in Britain large sums to meet current import payments. The last column in the table thus shows the influx into the developing countries of their own deposits kept in foreign banks.

State subsidies amounted to $ 7,544 million, or 51 per cent of all receipts. Of them $ 6,667 million, or 88 per cent, were given to allies of the United States and Britain, the biggest sums going to South Korea, Israel, South Viet-Nam, the Chiang Kai-shek clique.

Subsidies are not directly designated for the extraction of maximum profit. Usually they are publicised as a manifestation of concern for the less developed countries. They are not, strictly speaking, a capital export in the economic sense of the word, in the classical definition of the term. But there can hardly be any doubt about the political implications of state subsidies and donations of private capital. Their purpose is to win the confidence of the recipient and to gain the opportunity of exerting pressure so as to get him to toe a definite foreign-policy line. An analysis of Table 8 shows that subsidies and donations as a rule conceal the export of military, political and ideological counter-revolution directed against the national-liberation and socialist movement in Asian countries.

Table 8

Influx of Capital into Asian Countries in 1951-1959*

	Population in 1959, millions	Total, million dollars	Of which (million dollars)				
			State subsidies	Long-term investments of state and banking capital	Long-term investments of private capital	Free donations of private capital	Short-term receipts of private capital **
I. Countries or regimes tied to military-political blocs	236	10,257	6,667	1,093	820	1,119	558
Percentage of total	30	69	88	55	129	70	18
Iran	19.7	707	303	205	149	10	40
Israel	2.1	2.410	986	467	162	846	—51***
Jordan	1.5	477	386	42	5	—	44
Turkey	27.1	940	558	168	77	—	137
Chiang Kai-shek clique	10.2	889	696	64	44	32	53
Pakistan	90.9	842	500	50	41	—26	277
Philippines	24.7	711	261	20	342	84	4
South Korea	24.0	2.161	2,058	—8		133	—22
South Viet-Nam	13.8	825	763	42		72	—52
Thailand	21.9	295	156	43		—32	128
II. Neutrals	546.8	4.572	877	886	—186	427	2,523
Percentage of total	70	31	12	45	—29	30	82
India	424.8	3.608	415	953	—123	668	1,695
Indonesia	90.3	478	252	—72	—4		302
Burma	20.5	32	111	—23	4	—56	—4
Ceylon	9.6	—20	43	22	—56	—140	111
Lebanon	1.6	474	56	6	—7		419
Total	782.8	14,829	7,544	1,979	634	1,591	3,081

* Sources: *International Flow...*, pp. 13-15; *Monthly Bulletin of Statistics*, New York, January 1962.
** Including changes in gold and exchange reserves abroad.
*** Minus sign indicates outflow of capital.

Long-term investments of official and banking capital in Asia amounted to $1,972 million, or 13.5 per cent, and of private capital, to $634 million, or 4,3 per cent, and altogether to 17.8 per cent of all the receipts for nine years. This is graphic proof of how greatly the conditions for the exploitation of the former Asian colonies have changed. Investments of state and banking capital which are mainly of a productive nature, comprised less than one-seventh of all the capital received, and long-term investments of private monopolies, one-twenty-fifth. From this follows the conclusion that the conditions for the promotion of foreign private enterprise in most Asian countries were very unfavourable and that the imperialist powers were compelled to export tens of times more official capital to keep the Asian countries within the bounds of the capitalist system.

If we examine the flow of capital from the West to the Asian countries we find that average annual receipts in 1956-1959 were much higher than in 1951-1955. This is a definite reflection of the political and economic drive of imperialism in these countries and a certain reorganisation of the methods and forms of exerting influence on them. If we compare the average annual influx of all long-term capital into countries dependent on the United States and other Western powers and the receipt of such capital by neutral states, we get the following picture (Table 9).

Table 9

Average Annual Influx of All Categories of Long-Term Capital in Developing Asian Countries
(million dollars)*

	Countries dependent on the imperialist states		Neutral countries	
	1951-1955	1956-1959	1951-1955	1956-1959
Total	502	800	56	331
Including:				
state subsidies	358	502	502	161
long-term investments of state and banking capital	69	183	20	197
long-term investments of private capital	75	115	16	—27**

* Source: *International Flow...*, pp. 18-19.
** Minus sign indicates outflow of capital.

With a considerable increase in the average annual investment of long-term capital in Asian countries, the bulk of it, as before, flowed into states dependent on the imperialist powers, chiefly in

the form of subsidies, although long-term investments of state and banking capital and also private capital noticeably rose.

The average annual influx of capital in neutral states between 1956 and 1959, remaining in sum smaller than receipts by allies of the United States and Britain, showed a tendency to increase rapidly. This particularly applies to long-term investments of Western state and banking capital. This growth occurred chiefly in India. Investments in other countries of this group were much smaller and were of no essential significance (except subsidies to Indonesia which rose from $ 5 million to $ 57 million annually).

Both the export of capital as a whole and its composition are influenced by the times. Being a function of capital accumulation, the export of capital, now more than ever before, is subject to the influence of the general crisis of capitalism and its different stages. There is usually no longer any export of private loan capital. Moreover, the export of private capital to less developed countries accounts for not more than 30 per cent of the total flow of capital. But the export of state loan capital to Asia in the form of intergovernment and sometimes collective loans, has risen greatly (particularly in the 50's and 60's). In addition, imperialist states through international financial and banking organisations usually act as exporters of so-called official loan capital for productive investment chiefly in the infrastructure of the less developed countries.

Such forms of export of state loan capital are characteristic of the entire postwar period. In this period imperialist countries began to export less private capital to the developing countries than before the Second World War; the imperialist monopolies are increasingly afraid of losing their foreign investments; the West European countries, the United States and Japan have in large measure lost their monopoly of capital exports. The long-term easy credits of the socialist countries already in the mid-1950's became the most effective in the industrial development of the economically backward countries.

The flow of state and private capital to the developing countries is thus distinctly reflecting the political and economic situation in the contemporary world, the course of the competition between the two world social systems and the development and pitch of the struggle for national liberation.

Table 10 enables us to compare the movement of capital in various areas of the less developed world, which greatly differ from one another in the scale and intensity of the anti-imperialist struggle and the disintegration of the colonial system. These data clearly reveal the change in traditional sources of capital exports.

The process of forming national states was under way in Africa in the 1950's, particularly in the second half. This was a time obviously unfavourable for the influx of private capital, and for very understandable reasons its share in the total flow of capital declined from

Table 10

Percentage Distribution of Western State Subsidies and Long-Term Capital by Groups of Less Developed Countries
(annual averages)*

	State subsidies		Long-term investments			
			State and banking capital		Private capital	
	1951-1955	1956-1959	1951-1955	1956-1959	1951-1955	1956-1959
All developing countries	37	34	26	24	37	42
Including:						
Africa.	26	50	54	37	20	13
Latin America . .	13	13	22	11	65	76
Middle East . .	69	54	19	32	12	14
Southeast Asia .	83	56	2	41	15	3

* Source: *International Flow...*, p. 22.

20 to 13 per cent. But the share of state subsidies nearly doubled (from 26 to 50 per cent).

In Latin America, which at the time the table was compiled did not yet feel the impact of the Cuban revolution and the sharpening of the anti-imperialist struggle on the continent, the share of private capital grew from 65 to 76 per cent (in actual amount it rose from $443 million to $ 1,071 million annually). The share of state subsidies in the total flow of capital was still insignificant (13 per cent), although they more than doubled in amount; the share of state long-term investments was cut by half although in actual amount they remained almost unchanged ($ 144 million and $ 148 million).

Between 1951 and 1959, the share of private capital in the influx of long-term capital into Latin America was very high: Venezuela 100 per cent, Chile 91, Mexico 77, Argentina and Peru 75, Brazil 73 per cent, etc.[17] Such a situation did not occur in any Asian country.

The share of private capital in the total flow into Asia was much smaller. In the Philippines it amounted to 55 per cent, Iran 23 per cent, Turkey 10 per cent, Pakistan 7 per cent, Burma 4 per cent, etc.

Thus, the share of private capital in the total flow into the Middle East was only one-fifth or one-sixth of that to Latin America, and in Southeast Asia only one-twenty-fifth. And this is quite natural.

The figures in this chapter show that during the first 15 postwar years Western private monopoly capital, owing to the anti-imperialist and class struggle in the Asian countries, no longer held first place in the influx of foreign long-term capital. It yielded to state-monopoly capital. In effect this means that private monopoly capital has put up state-monopoly capital to serve as its shield and main striking force in the struggle for maximum profits and for the preservation of the capitalist system in Asia.

In 1950 a special U.N. group, commissioned to examine the capital requirements of the economically backward countries, submitted the necessary calculations (Table 11).

Table 11

Annual Amount of Capital Needed by the Developing Countries to Ensure a Two Per Cent Growth of Per Capita Income
(million dollars)*

Region	National income (1949)	Net accumulation (1949)	Capital needed for:			Shortage to be covered by influx of capital
			industrial development	agricultural development	total	
Latin America.	24,000	1,990	1,580	960	2,540	550
Africa (without Egypt)	13,200	720	1,780	528	2,308	1,588
Middle East (including Egypt).	9,000	540	940	360	1,300	760
South and Southeast Asia	24,000	1,200	4,360	960	5,320	4,120
Far East (without Japan)	26,400	790	6,610	1,056	7,666	6,876
Total . . .	96,600	5,240	15,270	3,864	19,134	13,894

* Source: *U. N. Measures for the Economic Development of Underdeveloped Countries*, New York, 1951, p. 76.

At the lowest economic growth rates, the developing countries within the framework of the world capitalist system need annually $ 13,900 million of investments from the outside.[18] Net influx of all categories of long-term capital into these countries, including subsidies, amounted to $ 32,400 million from 1951 to 1959, i. e., to $ 3,600 million annually on the average. If we assume that the capital was fully applied for productive purposes and, consequently,

[17] *International Flow...*, pp. 13-14.

[18] According to other calculations, made by the American economists M. Millikan and W. Rostow, the annual requirements of these countries for foreign capital, given greater internal accumulation, are set at $ 6,500 million, i. e., approximately 50 per cent less than according to data of the official U.N. study (cf. M. Millikan and W. Rostow, *A Proposal Key to an Effective Foreign Policy*, New York, 1957, pp. 95-110).

was employed for increasing the national product (which is not the case at all), the less developed countries, kept in the capitalist system as the "world countryside", satisfied their requirements in foreign capital only to the extent of 26 per cent ($3,600 million and $13,900 million respectively). Such aid by the imperialist countries could ensure an annual increase of only 0.5 per cent in per capita income.

If we take only the less developed Asian countries (excluding Japan and including Egypt) their annual capital requirements, according to U.N. data, are estimated at $11,900 million, while the average annual influx of all categories of long-term capital amounted to $1,300 million between 1951 and 1959, including $750 million of state subsidies to U.S. allies for military purposes. Practically, the requirements of the less developed countries in foreign capital were satisfied only to the extent of five per cent. Official U.N. data indicate that the Asian peoples—as, incidentally, the peoples of the other developing countries—under no circumstances can rely on aid of the Western imperialist powers. Experience of the national-liberation struggle teaches the peoples that they can firmly rely only on themselves and their socialist friends. The historically possible transition of ever more developing nations to a non-capitalist road places the entire problem of accumulation on a fundamentally new basis, independent of imperialism and the world capitalist system.

CHAPTER III

ATTITUDE OF THE U. S. MONOPOLIES TO THE PRIVATE AND STATE SECTORS IN THE ECONOMY OF THE DEVELOPING COUNTRIES

Western ideologists see a tremendous danger to capitalism in the negative attitude of the people in the newly-free countries to the capitalist way of development, regarded as a synonym of colonialism. These ideologists are exploring ways and means of promoting private enterprise, on which they place their main stake in these countries. On the other hand, they regard priority development of state enterprise as a menace to their plans for strengthening the world capitalist system.

Political leaders and economists of the United States and the other imperialist powers are anxious to gain unlimited opportunities for private capital—naturally, foreign capital first and foremost—in the developing countries. State enterprise is acceptable to the imperialist ideologists chiefly as a way of furnishing cheap transport and power facilities and other economic services to private enterprise which, in their opinion, must be the complete master in the manufacturing and extractive industries and on the plantations. "Governments must cease just tolerating private business; they must welcome its contribution and go out of their way to attract it," said Eugene Black, former President of the International Bank for Reconstruction and Development.[1]

Private enterprise is advertised as the only way for the industrial development of the economically backward countries. The bourgeoisie of the imperialist states seeks to win an ally in the big national bourgeoisie. Some of the national bourgeoisie, often echoing foreign views, propose the restriction of state industrial activity and its subordination to private interests. P. Lokanathan, well-known Indian economist, wrote at one time that from the viewpoint of private enterprise a certain minimum of public enterprise was evidently acceptable. Only after big state investments in transport,

[1] *Private Investment—the Key to International Industrial Development*, New York, 1958, p. 6.

communications, power, education and research had been made would the sphere of private enterprise become more sizable; the very expansion of the private sector was dependent on an *acceptable* expansion of the public sector.[2] Subsequently, Lokanathan changed his views and admitted the possibility of the priority development of industrial enterprise in the state sector.

The development of state industry exerts a dual impact on private enterprise in the newly-free countries. On the one hand, the state sector in industry more or less restricts the sphere of private capital; on the other, by developing the infrastructure and ancillary and service branches, it helps create favourable conditions for intensifying and accelerating the accumulation of private capital.

Many U.S. economists try to prove that the state plays a regressive part in the industrial development of the economically backward countries. They demand the withdrawal of the state from the key industries which by law are barred to private enterprise. Thereby they want to disarm the state economically, confronting it with the absolutely unrestricted and unregulated development of private enterprise. This far-reaching policy is ultimately aimed at abandoning state-sponsored industrialisation. The fathers of such a policy, so insistently advocated by the Western monopolies, are doing all they can to foster and demagogically utilise the selfish class interests of the short-sighted and most reactionary elements of the national bourgeoisie.

Such recommendations can be accepted at their face value, approved and applied only by men mortally afraid of the popular demands for progress in the developing countries or those who naively suppose that U.S. patronage of private enterprise is free of colonialist aspirations. The American monopolies are advertising private enterprise as the sole cure-all against age-old backwardness, being concerned more with their own interests than with the future of local, national enterprise. What they want is to set up in the less developed countries political regimes favourable to them and an economic climate suitable for their unlimited expansion.

One of the favourite weapons against the state sector employed by bourgeois politicians and economists is the assertion that the development of state enterprise in young sovereign states with the object of creating elementary prerequisites for their industrialisation is supposedly identical with socialism and communism. This merely goes to show that they do not understand the true nature of socialism.

Capitalists of the Western states, afraid of the nationalisation of their establishments in independent Asian, African and Latin American countries, are energetically working against the state sector, industrialisation and governmental regulation of the economy.

[2] *Indian Journal of Public Administration*, No. 1, 1957, pp. 10-11.

They demand a reduction in industrial growth rates, the handing over of existing state enterprises to private capital and the protection of private foreign investments.[3]

In the broader sense these apprehensions extend to all governmental measures which could infringe the rights or property of persons wishing to invest capital in a foreign country, affecting them either directly, through expropriation, or indirectly, through discriminatory taxation and refusal to grant import licences or foreign exchange.[4]

It is no accident that today when the Asian, African and Latin American countries are gradually taking the road of industrialisation, the imperialist ideologists have risen up in arms against "economic nationalism", against protectionism in foreign trade, and that they should clamour for "free competition", behind which stand closed trade blocs of the monopolies ready to combat the developing countries. This belated outburst of false free trade policy, which takes the form of so-called integration of the imperialist and the less developed countries in foreign trade has only one objective, namely, to disarm, politically and economically, the new sovereign states, to break down their growing resistance to the neo-colonialist tendencies of imperialism which seeks to frustrate their industrialisation.

The main aim of the American monopolies is to prepare the ground for the development and victory of private enterprise.

C. B. Randall, former Chairman of the U.S. Committee on Foreign Economic Policy and special consultant to President Eisenhower, wrote: "No one hopes more fervently than I that we may send out the idea of private capitalism as our principal export to the underdeveloped countries, but we must recognise that it is a delicate plant which will not grow in every foreign land in this storm-driven world unless the soil has first been carefully prepared."[5]

It should not be expected, in Randall's opinion, that private American capital would go to the less developed countries to build

[3] M. Heilperin, an American economist, demands that the U. S. Government combat all who restrict the activity of private foreign capital in the less developed countries. He wants this struggle to be waged in full conformity with the principles of classical colonialism, namely, "by an adroit combination of the proverbial carrot with the proverbial stick, by rewarding fair treatment of private investments and by penalising acts of arbitrary nationalism" (M. Heilperin, *Studies in Economic Nationalism*, Geneva, 1960, p. 222).

[4] The negative attitude to the state sector and all-out encouragement of private enterprise in the developing countries is recorded in official documents of the U.S. Government: "... It is the policy of the United States ... to strengthen friendly foreign countries by encouraging the development of their economies through a competitive free enterprise system ... to facilitate the creation of a climate favourable to the investment of private capital" (*Department of State Bulletin*, Washington, March 21, 1960, p. 457).

[5] C. B. Randall, *The Communist Challenge to American Business*, Boston, 1959, p. 132.

public enterprises. He thinks "this job is one that only our government can do". To ensure the victory of private capitalist enterprise, he demands that the U.S. Government, by granting loans to the developing countries, should help create ancillary and service branches for the subsequent "growth of free enterprise in the uncommitted areas." To ignore such a policy, in Randall's opinion, would be "nothing more nor less than default to Russia": "If the Soviets move in and provide these facilities, and they surely will if we do not, we will, without a struggle, have abandoned still larger regions of the world to state socialism." [6]

Randall regards the liberated countries as a passive object of the struggle between the two world social systems. Imperialist superiority and racial snobbery, these organic vices of the "American way of thinking", prevent Randall from admitting that the peoples of the developing countries have become the masters of their own destiny and will not allow anyone to treat them as an area available for foreign capitalist exploitation.

Randall approaches the basic need for achieving the prevalence of private enterprise from another angle as well. He warns that if enough local national personnel are not trained quickly for managing private enterprises, Russia will surpass the United States in training personnel for administering state enterprises.

Randall is aware that it is difficult to convert the state enterprises already existing in the developing countries into private ones, but he thinks that this effort should be kept up until the complete absorption of state-owned factories by private capital. He writes about the conversion of public property into private property in Turkey: "Even in countries where the leadership (Randall refers to the former Menderes government.—*R. U.*) ... genuinely wants to get away from public ownership and to turn to free enterprise, the problem is not free from difficulty.... Turkey, for example, has actually set up a special department whose single function is to turn enterprises now held in the 'public sector' back to the 'private sector'." [7]

Randall understands that the anti-national and pro-American Menderes government in Turkey had not made any decisive advances in this respect. Although the share of public enterprise in Turkey's industry has declined somewhat in view of the faster growth of private local and foreign capital, the number of state-owned factories has increased considerably. As befits a cultured American colonialist with the outlook of a big businessman, Randall is rather sceptical about the managerial abilities of the fighters for political independence who "even die to throw off colonial rule, and still do not possess in the slightest degree the capacity to organise." [8]

[6] *Ibid.*, p. 147.
[7] *Ibid.*, p. 165.
[8] *Ibid.*, p. 148.

This assertion gives Randall away completely. He does not venture to claim that the liberation of one or another nation from foreign political rule is inexpedient, and agrees that political liberation will not result in a decline of trade, agriculture, the crafts, modern industries and transport which exist even in less developed countries. He merely demands, with understandable persistence, that the U.S. Government "struggle to keep the new nations free and open to private enterprise". [9]

Randall does not rule out the possibility that the political risks in a particular area may become "so forbidding as to discourage the outward flow of private American investment". In such a case he thinks that the U.S. Government, in conformity with the "overall interest" of its foreign policy, must set up in the area industries on the American model using public credit "for sharing the hazard, while still preserving the profit motive". [10]

The way Randall advises to overcome the threat of nationalisation of foreign private enterprises in the developing countries is interesting. He proposes the closest alliance between U.S. government agencies and U.S. monopolies operating in the developing countries: "There are many ingenious ways by which this can be done, for example, if a fertiliser plant, or a shoe factory should be required, the host country could be loaned the capital with which to build one plant and it could be leased to an American company for operation. The losses that might otherwise follow from subsequent expropriation would thus be minimised, and a pilot example of free enterprise would be brought into being." [11] What Randall advocates is to disguise private American monopoly capital in the less developed countries.

Spokesmen of the American monopolists, Randall among them, assert that in most countries of Asia and especially Africa, local national capital is relatively weak. [12] That is why the sphere of accumulation in these countries is regarded by them as a kind of "vacuum": there are no "private industrial groups", while the state which is trying to build up a national economy does not possess, from the standpoint of the American monopolies, the necessary capital.

Such a formulation of the question is deliberately aimed at justifying the penetration of the developing countries by the U.S. monopolies and the American imperialist state—supposedly with the object of filling this "vacuum".

[9] *Ibid.*, p. 200.
[10] *Ibid.*
[11] *Ibid.*
[12] Chester Bowles wrote on this score: "Except in Japan and India, there are no private industrial groups able to carry a major burden in development. Thus there is usually no alternative to widespread government activity in economic life" (Ch. Bowles, *Ideas, People and Peace*, New York, 1958, p. 51).

The Canadian economist M. D. Bryce, who for several years worked for the International Bank for Reconstruction and Development and has visited many Asian, African and Latin American countries, published in 1960 something like a guide on questions of industrial development for young states (*Industrial Development. A Guide for Accelerating Economic Growth*).

What is this guide like? Constantly appealing to common sense and the experience of the West, Bryce recommends the economically backward countries not to rush their industrial development: "For underdeveloped countries now earning their way largely by the sale of the products of agriculture, mining, fishing, and forestry more is usually to be gained — and gained more quickly—by emphasizing at first the further development of these activities than by embarking too quickly on large-scale industrialisation schemes."[13] The entire philosophy of this book of nearly 300 pages boils down to an attempt to uphold two theses: (1) there is no need to hurry with industrial development, a country can remain a raw material supplier and (2) industrial development should be left to private capital, with the efforts of the government subordinated to its interests. Bryce minces no words on this score.

He writes: "...To obtain the greatest possible amount of successful industrial development, the government should leave manufacturing industry to the private sector whenever and to whatever extent it can rise to the occasion. The government should create conditions which are conducive to developing the private sector so that its area of effective operation in industry can be widened.... Government projects may be regarded as a last resort to be used on a limited basis when private business is unable or unwilling to undertake projects which have been thoroughly investigated and prepared, and found to be of extreme high importance to the economy. In such cases it is well for the government projects to be regarded as *under government ownership temporarily, pending suitable arrangements for transfer to the private sector*" [14] (author's italics. —*R. U.*).

Such is Bryce's line of reasoning. No wonder his book is insistently spread among businessmen, economists, investors, university professors, engineers, government officials and employees of private firms in the less developed countries.

Utmost encouragement of private enterprise in the former colonies and semi-colonies pervades the entire system of U.S. foreign economic policy. It is hardly possible to find a more or less essential measure by the United States with regard to the developing countries which ultimately is not connected with the interests of

[13] M. D. Bryce, *Industrial Development. A Guide for Accelerating Economic Growth*, New York, 1960, p. 5.
[14] *Ibid.*, p. 66.

private American monopolies—chiefly with the objective of implanting foreign enterprise or local big capitalist enterprise.

How to keep and extend its positions in the developing countries is one of the primary, we mignt say, key points in the policy of U.S. imperialism. The policy of American imperialism is the cold war, undisguised anti-communism, support of pro-American, military-feudal, landowner-bourgeois governments and cliques, the establishment of aggressive blocs, the setting up of imperialist military bases on the borders of the socialist world and of nearby countries adhering to positive neutrality. This policy is ineffective and often misfires along all lines.

The policy-makers of U.S. imperialism are by no means abandoning this course. They are trying to intensify and improve it all the time in an effort to make it more flexible, less primitive and in a certain sense more profound and designed for a longer period. They unanimously declare that it is necessary to implant and develop capitalism in the newly-independent countries, to create and extend its basis, the private sector. Ideologists of American imperialism claim that foreign economic aid should be utilised as a catalyst of capitalist accumulation, that social forces should be created in those countries which, possessing economic influence, would increase the political gravitation towards the Western imperialist countries and thereby finally steer Asia, Africa and Latin America into the capitalist channel under U.S. control. Such is the refurbished programme of the American neo-colonialists.

E. Staley, well-known American economist, offering his reasons for such a policy in his exhaustive study *The Future of Underdeveloped Countries* [15], advises U.S. ruling circles to abandon the too primitive methods of the cold war and to realise that the developing countries need to accelerate the process of capital formation paralleled by a corresponding social process suitable to, and advantageous for, the United States.

Staley calls upon the U.S. Government to make the aid policy a "powerful catalytic agent" to stimulate capitalism in the less developed countries. He admits that private investors have not been able so far to cope with the task of supplying capital from abroad to the less developed countries. Nevertheless, he insists that it is the non-governmental groups (meaning the monopolies) which could, without incurring the charge of foreign interference, do more for stimulating the necessary changes towards capitalist development in the economically backward countries. Walter Lippmann, prominent American commentator, considering that communism demonstrates "the only obviously effective way of raising quickly the power and the standard of living of a backward people", demands that

[15] E. Staley, *The Future of Underdeveloped Countries*, New York, 1961, pp. 251, 255, 261, 269.

U.S. politicians reply to this "challenge": "The only convincing answer to that must be a demonstration by the non-communist nations that there is another ... way of overcoming the immemorial poverty and weakness of the Asian peoples." Yet it transpires that Lippmann has nothing to offer the less developed countries except the free enterprise society which in many places in the world is associated with the United States and does not find many supporters in Asian and African countries and in a large part of Latin America.[16]

The authors of the book *A Forward Strategy for America* admit with disappointment that "in the underdeveloped areas an acceptance of some measure of socialism and state planning is the rule".[17] But the American monopolists and their government until recently greatly disfavoured even "some measure of socialism and state planning" in the newly-liberated states and are openly hostile to the consistently socialist economic system in countries of the socialist community.

"There is a tendency in some quarters to underestimate and misunderstand the potential role of private enterprise and capital," said P. M. Klutznick, U.S. representative on the Economic and Financial Committee of the U.N. General Assembly, in a programme speech delivered in October 1961 and addressed to Asian, African and Latin American delegates. He stated that "the greatest source of capital is the private field", stressing that "private enterprise possesses the largest aggregate pool of skills or what is commonly called 'know-how'".

It is hardly surprising that U.S. capitalist ideologists should ascribe scientific and technical progress only to private enterprise. They deny that the government in the liberated countries is able to accumulate capital and acquire scientific and technical know-how. Klutznick criticises the old aid policy above all for being on a "government-to-government basis", which leads to ignoring "the huge storehouse of possibilities" of private business. While paying lip service to the sovereignty of the newly-free countries, Klutznick urges that their representatives "examine the true characteristic of present-day capitalism" as related to what he calls "the horrific tales of yesteryear".[18]

H. Aubrey, another American author, does not advise American politicians and propagandists abroad to praise private enterprise as such. He acts on the principle that it already exists in the less developed countries and that it is only necessary to prove to their peoples that in the United States private capitalist enterprise has been

[16] W. Lippmann, *The Communist World and Ours*, Boston, 1959, pp. 42-43.
[17] R. Strausz-Hupé, W. R. Kintner, S. T. Possony, *A Forward Strategy for America*, New York, 1961, p. 267.
[18] *Department of State Bulletin*, December 4, 1961, p. 941.

transformed. The old, dirty, sanguinary capitalism has allegedly been transformed into an enlightened system, into a welfare society which fully suits also the peoples of Asia, Africa and Latin America.

This leads Aubrey to another conclusion: he concentrates on demonstrating the "revolutionary", "transforming" role of private capital and advises American propagandists and politicians to criticise and blast the idea existing in the East, of the United States as an ally and organiser of reactionary regimes and an opponent of any social and political change.[19] He demands a change in American and Western policy so as to reply to the "economic challenge" of communism, relying on "progressive", free enterprise.

Since 1955-1957, official documents of the U.S. Congress have been reflecting the forced recognition by American politicians of the emergence and development of state industrial enterprise in the newly-free countries. It is in this period that it has assumed the form of a fully shaped state economic policy in a number of Asian, African and Latin American countries —a policy designed to win economic freedom. But in these documents, too, the principle of implanting private business in the young sovereign states remains one of the cardinal planks of American foreign economic policy. A Senate publication pointed out that although the United States should continue to cooperate with governments and recognise their rights to definite forms of their social and economic organisation, there undoubtedly was the possibility of exerting greater efforts so as to stimulate, directly or indirectly, business activity and prepare more favourable grounds for foreign private investments.[20]

American authors have contributed almost no serious studies of the market economy and commodity exchange as the basis of the economic structure in the developing countries, although the prevalence of the small-commodity economy of direct producers in these countries makes it historically necessary to develop to the utmost commodity exchange in market and cooperative forms. This is understandable. Commodity exchange is not as yet capitalist production. It can also exist and greatly develop under socialism when the means of production do not belong to private capitalist owners. American bourgeois economists and politicians are interested not in the development of a commodity economy in the newly-free countries, in which producers exchange commodities on an equivalent basis, but in the prevalence and utmost development of a particular kind of commodity economy—private enterprise. Perhaps no official document formulates this aim as explicitly and laconically as the *Foreign Assistance Act of 1961*. Its purpose is to reinforce "friendly countries" by assisting in their economic development through free competitive enterprise, to weaken or eliminate obstacles to the

[19] H. Aubrey, *Coexistence. Economic Challenge and Response*, Washington, 1961, pp. 258, 286.
[20] Cf., for example, *Foreign Aid Program*, Washington, 1957.

influx of private capital and the expansion of foreign trade, and to ensure conditions favourable to private investment.[21]

Bourgeois ideologists well understand that it is not their job to advocate the development of disinterested, mutually advantageous economic relations between the newly-independent and industrially developed countries within the bounds of the capitalist economy. This is an altruism which is alien to them but which they at times use as a cover. Advantageous goods exchange with the developing countries, the extraction of maximum profit, exploitation through trade channels—these are highly important matters to them but not the main thing. (It is possible to trade—moreover, advantageously—with the socialist countries too.) The most important thing is to get the developing countries to accept capitalism as a system. "If all the countries want to buy our machines but reject our institutions and our ideology, our business is bad," so declared Pietro Quaroni, an Italian diplomat, discussing coexistence and the struggle between the two systems. [22]

Quaroni understands the essence of the matter. The point is not simply to trade, not simply to render aid to the developing countries, but constantly and by every means—from military to ideological—to implant and uphold in them the main institution of capitalism, private enterprise, above all foreign, as a means of preserving their dependence and economic backwardness and as a requisite for their exploitation. But what is to be done so that private, especially foreign, enterprise should not only exist in the newly-free countries in which anti-imperialist sentiments prevail, but also develop, escaping the danger of nationalisation, thereby discharging its principal function of being one of the main pillars of capitalism?

Jacques Lefevre of the overseas territories department of the European Economic Community, proposes to seek a fuller merger of foreign capitalist establishments with "local society", which would serve as a guarantee against nationalisation of foreign capital.[23]

George Ball, U. S. Under Secretary of State for Economic Affairs, has presented businessmen with instructions concerning methods of socio-economic and political camouflage of foreign capital in Asian, African and Latin American countries. He says: "We encourage business to invest in less developed areas; at the same time, we pursue a self-denying ordinance with regard to intervention to protect such investments." [24] Indeed, after the failure of imperialist

[21] *Foreign Assistance Act of 1961. Report of the Committee of Foreign Relations. U. S. Senate*, Washington, 1961, p. 67.

[22] P. Quaroni, *Koexistenz zwischen Freiheit und Diktatur*, Frankfurt am Main, 1961, p. 52.

[23] *L'originalité de l'apport européen au progrès economique et social des pays en voie de développement*, Brussels, 1961, p. 52.

[24] See *Department of State Bulletin*, June 4, 1962, pp. 913-914.

intervention in the Suez Canal zone, the defeat of the American interventionists at Playa Giron in Cuba, the nationalisation of Dutch and Belgian property in Indonesia, etc., direct intervention to protect foreign investments is impossible, and Ball admits as much. In his opinion, investment today should be "supported by new forms of security consistent with the direction of our modern foreign policy". Expropriation of foreign property, government ownership on an increasing scale, the fact that new countries "prefer experiments in socialism to free enterprise, and the subjection of foreign investment to intensive regulation—all these tendencies raise major issues for our foreign policy," Ball notes.

What are these new forms of safeguarding private foreign enterprise in Asia, Africa and Latin America, recommended by Ball? They are as follows:

the existence of stable local governments that could resist communism;

substantial public investments by the United States to bring about the stability of the less developed economies;

an attitude to the U.S. foreign assistance programmes as an essential prerequisite to the development of private enterprise;

a wide system of investment guarantees, including those to cover "the risks of expropriation, inconvertibility of currencies, and war";

arranging for a substantial component of local interest having a stake in the success of the enterprise;

attaining strong local support by employing as many local citizens as possible both in the labour force and in management; in most instances this involves systematic programmes for management training;

avoiding the exploitation of "those natural resources that are regarded as part of a country's heritage" and steering clear of enterprises "that have some symbolic significance as the mark of industrial power and maturity";

a desire not to arouse political resistance by foreign capital dominating "an entire industry or industrial sector" that might cause a feeling of "dependence on foreign capital". [25]

Let us turn to the practical activities of international financial organisations controlled by the United States and its government financial agencies closely bound up with the monopolies. They have a definite social and political tendency—constantly and systematically to create conditions for the more successful penetration of the developing countries by big private foreign capital. To attain this end, some quite substantial measures applied in young sovereign states are being financed.

International financial organisations also seek to strengthen to the utmost the forces of international capitalism in the liberated

[25] *Ibid.*, p. 915.

countries, to accelerate capitalist development under the greatest possible control of the West and to lay an economic basis for compromise between the imperialists and the local bourgeoisie. Lastly, they try to isolate the less developed countries from the economic influence of the socialist countries or at least to stave off as long as possible the establishment of close economic cooperation between them.

The International Bank for Reconstruction and Development is the biggest institution entrusted with carrying out this policy. Table 12 shows to which territories the Bank's loans go and for what purposes they are used.

Table 12

Loans of the International Bank for Reconstruction and Development as of June 30, 1962*

Direction of loan	Given to countries of (million dollars):					Total	
	Africa	Asia	Australia	Western Europe	Countries of Western Hemisphere	Sum, million dollars	Percentage
Total	885	2,185	418	1,444	1,613	6,545	100
Of which:							
Power	247	493	129	388	956	2,214	37
Transport	429	950	132	69	497	2,078	34
Communications	4.4	—	—	0,2	22	27	—
Agriculture and forestry	59	169	104	88	64	484	8
Industry	105	497	53	319	52	1,026	17
Of which: privately-owned metallurgical enterprises	—	272	—	23	—	295	5
Loans for reconstruction	—	—	—	497	—	497	—

* The table is drawn up on the basis of data of *Бюллетень иностранной коммерческой информации*, № 146-147, 8.XII.1962.

About 70 per cent of all the I.B.R.D. loans go to the infrastructure, i. e., ancillary and service branches of the economy. Such loans make up 77 per cent of the total in Africa, 67 per cent in Asia, and 91 per cent in countries of the Western Hemisphere. The loans extend the possibilities for applying private foreign capital, create a subsequent intensive demand for it, facilitate its investment directly in the industrial extraction and processing of raw materials and the manufacture of finished goods. Thereby they ensure such a high profit that even if 50 or 60 per cent of the gross profit is withdrawn in the form of taxes and a considerable part is allotted for reserve and depreciation, dividends run from 8 to 15 per cent, a rate much higher than in the capital-exporting countries.

Two points in the practical activities of the I.B.R.D. are noteworthy. First, loans for industrial development amounted only to 17 per cent of all loans (in African countries 12 per cent, Asian countries 23 per cent, while the less developed Latin American countries practically received no such loans). Second, as a rule the Bank does not grant credits for building state industrial enterprises, but only for private projects. Thus, we clearly see the designation of the Bank as an instrument which prepares the ground for the penetration of private business in the less developed countries on the basis of the infrastructure created by the state with the help of the I.B.R.D.

As for the funds given to the developing countries by the International Finance Corporation, they amounted to the negligible sum of $ 34 million in all (as of April 30, 1962). The U.S. Development Loan Fund allocated $ 2,600 million as of March 31, 1962, of which about 25 per cent was earmarked for industry (almost exclusively the private sector), while the rest went for the infrastructure.[26] Fifty per cent of all the loans and credits granted by the Fund went to Southeast Asian countries.

The prime criterion in the activities of American organisations which finance aid to less developed countries is not to grant credits for a project which might adversely affect the commercial or industrial interests of the U.S. monopolies.

If an industrial project in a less developed country after its commissioning might cause a drop in American exports, unfavourably affect the possibilities for the sale of American goods in the given country or, if the building of a new factory might create competition to American goods in the neighbouring countries, it will not get U.S. financial help. The crux of the matter is to reduce to a minimum the possible adverse effect on the interests of the U.S. monopolies that might be exerted by loans for economic development granted to a newly-free country.[27] This is the innermost aim of the American aid policy—to restrain the industrial development of the economically backward countries, to leave them in a dependent position and control their industrial investments so as to prevent them from building up the necessary range of manufacturing branches.

Table 13 gives an idea of the nature of the activities of international and American financial organisations in crediting industrial construction in the less developed countries. The credits mostly go to the private, not the state, sector.

[26] *Aid Operations Report*, Washington, March 31, 1962.
[27] *The United States Economy and Mutual Security Program*, Department of State, Washington, 1957, p. 39.

Vance Brand, former director of the Development Loan Fund, said that the United States was trying not merely to help the less developed countries, but do it in a way that would promote the employment of private capital, especially American.[28] Frank M. Coffin, who succeeded Brand as director of the Fund, emphasised that U.S. aid seeks to facilitate plans which would definitely provide for the development and stimulation of the private sector.[29]

This policy gives international and American financial organisations grounds for expecting to keep control over development of industry in these countries and to exert an influence on the nature and trend of their socio-economic evolution.

The activities of international and American financial organisations, just as of the West European monopolies, rest on the principle that the attitude to the economic problems facing the Asian, African and Latin American peoples is ultimately determined by struggle against the socialist system, aimed at subordinating the young sovereign states to the West.

It is no longer possible to fight by military means alone against the world socialist system and in this way prevent new countries from joining it. While colonial wars in the 19th century resulted in the conquest of territories, the forcible seizure and monopoly use of raw material sources and markets, attempts to launch so-called limited wars against the newly-free countries or peoples fighting for their liberation (Viet-Nam, the United Arab Republic, Algeria and others) nowadays ultimately result in the loss of the monopoly of raw material sources and markets.

Hence the line of American imperialism and its European partners which calls for employing the camouflaged policy of neo-colonialism (so clearly formulated by George Ball) in order to control the economic progress of the developing countries, implanting in them private foreign capital which gradually merges with local capital.

It is to gain these political ends that the activities of big international and U.S. financial organisations are adapted. This is not concealed in any way either. Vance Brand told the Senate Foreign Relations Committee: "Our task is not merely to assist less developed countries but to assist them in ways that will reflect, reinforce, and use free enterprise."[30]

Many ideologists of imperialism admit the unpopularity of private enterprise in Asian and African countries. R. Emerson of Harvard University points out that after achieving independence, Asian and African countries are trying to abandon the traditional private

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[28] *Foreign Commerce Weekly*, November 7, 1960, Supplement.
[29] *Foreign Assistance Act 1962. Hearings before the Committee on Foreign Affairs, House of Representatives*, Washington, 1962, p. 366.
[30] *Department of State Bulletin*, March 21, 1960, p. 457.

Table 13

Comparison of Lending Terms for Industrial Development Credits Given by International and U. S. Official Financial Organisations*

Organisation	Credits are given to:		Approximate limits of the sum of credit	Period for repayment of credit	Approximate interest rate	Can repayment be made in local currency?	Can the credit be used for buying goods outside the U. S. A.?	Are guarantees of the national government required when credit is given to private sector?
	Public sector	Private sector						
International Bank for Reconstruction and Development.	No	Yes	From $1 million to $100 million	10-20 years	3-6%	No	Yes	Yes
International Finance Corporation.	No	Yes	From $0.1 million to $3 million	5-15 years	6-7%	No	Yes	No
U.S. Export-Import Bank	Yes	Yes	Wide limits	1-20 years	4-6%	No	No	No
Development Loan Fund	No	Yes	$0.1 million	Up to 40 years	5%	Yes	No	No

* Source: M. D. Bryce, *Industrial Development. A Guide for Accelerating Economic Growth*, pp. 181-202.

enterprise system and go over to a planned socialist economy with centralised management. [31]

W. Laqueur, an expert on the Middle East, gives a pessimistic appraisal of the activities of private capital. In his book *The Soviet Union and the Middle East* he writes: "Capitalism in the Middle East is a synonym of exploitation and imperialism.... The prospects for private enterprise as a basis of economic development in the Middle East are far from ideal. Public opinion in the Middle East ... agrees that the initiative should come from the state, that a planned economy and some form of socialist regime are needed." [32]

The statement by R. L. Allen, an American considered an expert on Soviet economy, is quite revealing. In Allen's opinion, the economic progress of the Soviet Union is reflected in high rates of economic growth; "coupled with the wave of socialism in the underdeveloped world and the feeling of some countries that only the government is effectively organised to conduct the business of the economy, it is readily apparent that the underdeveloped world is moving further away from the enterprise system of the West and closer to the socialist model of the Soviet Union."[33] There is no denying that the author displays common sense and an understanding of the inevitable fate of capitalism in its periphery.

Chancellor Erhard, the "miracle maker" of West German "prosperity", has contributed his bit to the struggle against the state sector in the less developed countries and against rendering assistance to it. Proceeding from fundamental "ideological" positions and the supposed incompatibility of personal freedom with "state-absolutist methods of economic management", he declares that the West must not, while adhering to "individualism and human dignity, personal initiative and free enterprise", permit the use of its assistance (equipment and personnel) in order to "promote the development of state-capitalist collectivism in the developing countries". [34]

This "highly principled" stand of the then Minister of the Economy did not in the least prevent the West German monopolies—Krupp, Demag and others—from pressing India to pay an annual interest rate of 12 per cent on credits extended to her for the state steel works at Rourkela (to cover deliveries of equipment, technical assistance and commissioning of the works); the monopolies also demanded 25 per cent of the joint-stock capital so as to be entitled to a share in the profits. But they had to ease these extortionate terms after India had concluded an agreement with the Soviet Union on building the Bhilai project.

[31] Cf. R. Emerson, *From Empire to Nation. The Rise to Self-Assertion of Asian and African Peoples*, Cambridge, 1960.
[32] W. Laqueur, *The Soviet Union and the Middle East*, London, 1959, p. 278.
[33] R. L. Allen, *Soviet Economic Warfare*, Washington, 1960, p. 175.
[34] *Aussenpolitik*, No. 1, 1961, pp. 7-8.

Attacks on the state sector in the liberated countries are conducted along all lines. Certain American economists and demographers declare that the Indian Government was building a heavy industry at too fast a pace, carried away by the example of the Soviet Union. They advise India to follow the example of Japan—to develop agriculture first and then industry. The advice of these authors is economically unsound, to say the least, and historically incorrect. They must know that the "Japanese way" of industrialising is no longer possible for any capitalist country on any continent.

What was this much-vaunted "Japanese way"? Japan did not develop agriculture first and then industry on its basis. She accelerated the development of military-feudal state capitalism, closely interlocked it with the simultaneously growing monopolies; Japanese capitalism practised incessant economic, political and military expansion for nearly 80 years, which led to the subjection of other countries. These countries liberated themselves after the Second World War as a result of the collapse of Japanese militarism under the blows of the anti-fascist coalition headed by the Soviet Union, the Chinese people's revolution and the national-liberation struggle in Southeast Asia and the Far East. The "Japanese way" of economic development is impossible in the present historical epoch even if expansionist bourgeois-feudal circles in some of the developing countries, encouraged by their U.S. patrons, would like to try it.

The British economist A. Youngson in a book published by Cambridge University, expresses his conviction that private enterprise will ultimately triumph in these countries. He is confident that they will march in step with the West and give up the idea of a planned economy. [35]

A. Hanson, an influential British Keynesian economist and theorist, does not come out openly against the development of state enterprise. On the contrary, he is in favour of it, but in a way that makes the state something of a "guardian" of the private-capitalist economy. He writes: "Although, in the early stages, government may have to take very strong and wide-ranging initiatives, it will progressively withdraw from direct participation in one field after another as private enterprise becomes more and more capable of taking the strain." [36]

Van Houtte, chairman of the special conference of the International Bank for Reconstruction and Development, the International Monetary Fund and the International Finance Corporation, held in Delhi in October 1958, on the eve of the discussion of the country's Third Five-Year Plan, spoke out against the "unnecessary intrusion" by the governments of the developing countries "in all sectors of economic activity"; in his opinion, they should eliminate every-

[35] Cf. A. Youngson, *Possibilities of Economic Progress*, Cambridge, 1959.
[36] A. Hanson, *Public Enterprise and Economic Development*, London, 1959, p. 14.

thing that hinders the expansion of private enterprise, widely attract private foreign capital and utilise credits granted by Western countries not for industrial construction, but for investment in transport and power.[37]

Many statesmen of sovereign Asian countries are voicing well-warranted apprehension concerning the social consequences of developing private enterprise. Nehru in his lecture on *India Today and Tomorrow* said: "Personally I think that acquisitive society, which is the base of capitalism, is no longer suited to the present age.... What is called 'free enterprise' will never appeal to the masses of our people; it will lead to the use of our resources often for purposes that are not of primary importance. It will mean the exploitation of the profit motive in which the individual may be interested but not society as a whole." [38]

President Sukarno rightly links the domination of private capital in the economy with the interest of imperialism in preserving the general backwardness of the Eastern countries. He writes: "Private capital *is interested* in low productivity of labour and a low development level of our society. That is why contemporary imperialism *is hampering* the progress of our society, that is why contemporary imperialism is a brake on the development of our social economy." [39]

Private enterprise is being restricted in less developed countries, though in differing degrees.

The situation in the contemporary capitalist world is shaping in a way that makes it practically impossible to defend the national economy and thus reinforce the sovereignty of the newly-independent countries without developing the state sector. Not only a less developed, but even a highly-developed capitalist country cannot get along today without government interference in private activity and active regulation of economic life.

The contemporary state sector in most of the newly-independent countries is not socialism. This is clearly realised not only by Marxists but also by the ruling circles, though some of them, for quite understandable reasons, assert the opposite. All Western bourgeois economists and politicians, however, are opposed to public ownership of the manufacturing and extractive industries, to the leading role of the state in industrialising and reconstructing the economy of the developing countries.

What is the reason for this stand of the West?

This question is all the more warranted if account is taken of the fact that in America and Western Europe the monopolies have become closely interlocked with the state. They participate in mixed enterprises and frequently, especially during wars and social upheavals, energetically support the development of state enterprise

[37] *Hindustan Times*, October 7-8, 1958.
[38] J. Nehru, *India Today and Tomorrow*, New Delhi, 1960, pp. 28, 29.
[39] Сукарно, *Индонезия обвиняет*, Москва, 1956, стр. 56—57.

not only in the service branches, but also in the manufacturing and extractive industries.

State enterprise in those developing countries which as yet have no definite industrial pattern based on the dominance of private capital, demonstrates that it is possible to carry on extensive construction, organise and constantly expand large-scale production, and efficiently manage it at a profit without capitalists as a special class. The closer the state is to the people, the more it turns into a national democracy, the greater the support it enjoys in building a national economy. This is manifested with especial clarity in economically backward countries where the national bourgeoisie is weak or even absent, where the key positions of foreign capital have been uprooted and the creation of a national industry becomes the overriding task of the government and the people.

A state sector in the economy of the Asian, African and Latin American countries, as a rule, develops under the pressure of the popular struggle against the foreign monopolies, and in some countries also against big local capital and the reactionary forces. This leads to restricting the sphere of private local enterprise and foreign capital. The development of the state sector is creating a constant, expanding material basis for the anti-imperialist and anti-monopoly movement and consolidates the unity of the national forces in face of the external and internal enemies. The very course of the struggle raises the question—who needs the private monopolies if they can be replaced by state monopoly, and why should not the state sector be made the leading and dominating force in the national economy?

The political struggle in the developing countries is being fought over the following issues: what sources are to be used for building the state sector of the economy; what branches should it consist of; who should run it and how; what should be the attitude to foreign capital; how should attempts to penetrate the state sector be combated; and how should the desire of local big business to seize enterprises of this sector be frustrated.

The growing economic role of the state sector, supported by the progressive forces in the less developed countries and by the socialist community, and the failure of all attempts to convert public property into private property, gradually produce and strengthen the objective material and technical prerequisites for socialism. The transition to the non-capitalist road is naturally determined not by the state sector itself, but by the struggle of the working class, its alliance with the peasants, the winning over to their side of all the patriotic groups and elimination of the political rule of the bourgeoisie and the landowners in the countries where it has been established.

The ideologists of contemporary imperialism advocate the principles of private enterprise as the main foundation for developing

the economically backward countries, and they oppose the development of the state sector. Politically they aim in this way to extend the ties of the Western monopolies with the big local bourgeoisie, counting on the common class adherence of the Western imperialist and the big national bourgeoisie to capitalism. This does not preclude an aggravation of the contradictions between the less developed and the imperialist countries. They are caused by the struggle of the working people and the patriotic sections of the bourgeoisie for economic freedom.

Far-sighted ideologists of the national bourgeoisie must be given credit for realising that when the imperialists praise private enterprise and lay emphasis on the community of ultimate interests of the bourgeoisie in the advanced and less developed capitalist countries, they seek to conceal the desire of Western monopoly capital to preserve and extend its political and economic positions in Asia, Africa and Latin America.

State measures in building up a national economy are causing a rather deep differentiation among the capitalists and the landowners in many Asian, African and Latin American countries. This differentiation takes place between the big, middle and petty bourgeoisie, between the national and compradore bourgeoisie, the feudal landowners and the capitalist landowners—in a word, between the more progressive, patriotic elements, on the one hand, and the reactionary, pro-imperialist elements of the exploiting classes, on the other.

The foreign monopolies, with the support of big national capital which is frequently associated with foreign capital and compradore activities, are waging a vigorous counter-offensive against the state sector and government regulation of the economy in the young sovereign countries. In the main, this counter-offensive consists in pressing the following demands:

a reduction of state investment and an increase of private investment, particularly in the key industries;

de-nationalisation of state-owned industrial enterprises and turning them over to private owners, admission of private capital to managing state-owned enterprises and sale of their shares on the stock exchange;

restriction of state interference in foreign trade, banking, credit, home trade and price formation;

liberalisation of imports terms in a way favouring private capital;

free movement of capital within a country, repatriation of capital and the transfer of profits abroad in convertible currency;

restriction of social legislation;

curtailment of economic ties with the socialist countries.

Private foreign and big local enterprises seek to utilise the economic activities of the state solely to their own advantage. For this

purpose their representatives penetrate state enterprises. A prominent part in this is being played by mixed state and private enterprises, with the participation of either national or foreign capital, and in some cases of both.

The state sector has thus become a battleground of the class struggle. During this struggle real opportunities occur for developing the state sector either in the interests of the people against the monopolies, or in favour of the monopolies and against the people. The people are interested in expanding the state sector because only in this way it is possible to build up a more stable national economy, capable to a certain extent not only of utilising private accumulations but also mobilising capital on a national scale. It is the state that possesses the greatest opportunities to mobilise and utilise the country's natural resources.

Politically, the struggle for the establishment and strengthening of the state sector, for nationalising foreign and big local capital is capable of uniting the widest sections of the population, from the working class to the patriotically-minded national bourgeoisie. At the same time the efforts to extend the state sector furnish the requisites for the victory of an independent national democracy.

The postwar record shows that only construction undertaken by the state in the less developed countries enables them to utilise national capital for the most productive purposes. In a country which lacks a producer goods industry and in which many people are not engaged in productive labour, the main criterion of the effiiciency of investments is the trend of these investments: whether they go into the key industries (fuel and power, transport, chemicals, engineering, metallurgy and other manufacturing industries) or not. The development of these industries becomes a requisite for reproduction on an extended scale, a means for raising the productivity of labour and increasing employment.

The facts and figures in this chapter show that the West European and American economists approach the development of large-scale state industry in the young sovereign countries only from their class positions—whether this accords with the interest of the industrialised capitalist countries and is beneficial for the monopolies.

The conversion of the backward Asian, African and Latin American countries into economically independent and advanced states runs counter to the basic interests of imperialism. What it needs is to preserve and reinforce the present international division of labour based on the industrial economies in the developed capitalist states and the agrarian and raw material character of the economies in Asia, Africa and Latin America. The longer this "traditional" international division of labour is maintained, the less it is undermined by industrialisation of the developing countries, the smaller the assistance the world socialist system gives these countries and

the weaker the influence it exerts on them—the better it is for the imperialist system.

Nothing, however, can stop the process of economic emancipation of the less developed countries from foreign dependence, just as it was impossible to arrest the process of their national self-determination and the winning of political sovereignty. Underlying this process is the natural striving of these countries to build their own modern manufacturing industries as the main requisite for changing their status in the international division of labour.

The creation of a modern manufacturing industry, including the production of capital goods, is naturally quite a lengthy process and it varies in all countries. The solution of this problem will inevitably bring about the pooling of industrial effort by the developing countries and also specialisation and cooperation based on equivalent exchange, and the closest, organic ties with the world socialist system. The political solidarity of the countries fighting imperialism, which stems from the community of their historical destinies and similarity of the problems confronting them, will play an ever bigger part in their striving for economic independence, for a radical change of their position in the world economy. This is particularly true of the major newly-independent states. To regenerate their economy, all of them, including the small countries, have to develop and apply on the widest scale the most modern technical facilities in all branches of the economy and to carry out social reforms, without which they will remain at the lowest level in labour productivity, and will continue to suffer from extortionate non-equivalent exchange in their relations with the imperialist states.

For all these reasons, usually concealed by bourgeois authors, state industrial enterprise is rejected in principle by American and West European politicians and ideologists. Yet state industrial enterprise is historically necessary to accelerate economic development, to industrialise a country and ensure its economic independence through struggle against the domination of the foreign monopolies; it objectively prepares the material prerequisites for a transition to the non-capitalist road of development.

CHAPTER IV

WESTERN ATTITUDE TO INDUSTRIALISATION OF YOUNG SOVEREIGN STATES

The attainment of economic independence by young sovereign states is a very arduous but feasible goal. With the break-up of the colonial system, the weakening of imperialism and strengthening of technical and economic cooperation between the developing countries and the socialist community, the accomplishment of this task largely depends on industrialisation and progressive socio-economic changes. Broad industrial development and the industrialisation of the developing countries has become a fundamental problem of their internal life and also a big issue in international politics.

It is very important to know how large is the world of the less developed Asian countries, what is their share in the population and total income of the capitalist world and the extent of their economic retardation. Table 14 sheds some light on these points.

The figures in Table 14 are not free from failings. All the main indicators bear the imprint of bourgeois statistical methods. There is no division of the population and income by classes. The national income includes a double count and is therefore exaggerated; the industrial labour force of the main developing countries of Asia includes people engaged in the crafts and manufactories, which clearly exaggerates the share of the industrial population and the income contributed by industry, and so on. Yet the table does disclose the main results of imperialist rule in the former colonies and semi-colonies. These results are as follows.

Sixteen developed capitalist countries, comprising 35 per cent of the population of the 50 countries covered by statistics, have 85 per cent of all the income produced. Annual average per capita income in these countries amounts to $ 1,215.

Nine leading countries of Asia, with 45 per cent of the population of the 50 countries covered by statistics, possess 6 per cent of all the income produced; annual per capita income amounts to $ 67.5. It is one-eighteenth of that in the first group of countries, one-thirty-third of that in the United States, one-twenty-fourth of that in Canada, one-fifteenth of that in Britain and approximately one-eighth of the average for the 50 countries.

Table 14

*Main Economic Indicators of the Developed Capitalist Countries and the Less Developed Asian Countries (1959)**

Country	Population (million)	Percentage of total	National income, thousand million dollars	Percentage of total	Per capita income, dollars	Industrial labour force, per cent	National income from industry, per cent	Per capita income from industry, dollars
United States	177.82	11.10	397.00	49.70	2232.59	28.40	31	692.10
Canada	17.44	1.08	27.94	3.50	1602.10	28.59	40	690.84
New Zealand	2.33	0.15	2.88	0.36	1238.00	24.60	22	272.36
Australia	10.05	0.63	12.14	1.52	1207.64	29.70	—	—
Japan	92.43	5.77	26.77	3.35	289.60	19.97	29	83.98
South African Union	15.40	0.97	5.83	0.73	378.38	22.04	38	143.78
Britain	51.98	3.25	53.64	6.75	1032.00	41.16	39	402.48
France	45.09	2.82	39.40	4.95	873.74	28.45	—	—
West Germany	52.78	3.31	46.04	5.78	872.35	34.00	53	462.34
Italy	49.05	3.06	23.10	2.89	471.00	29.95	33	155.43
Sweden, Norway, Denmark, Belgium, Netherlands, Austria	48.22	3.03	45.87	5.75	950.00	31.62	—	—
Total	562.59	35.17	680.61	85.28	1215.00	—	—	—
Main Asian countries:								
India	424.81	26.60	26.85	3.37	63.19	9.57	17	10.74
Indonesia	90.30	5.65	4.51	0.56	49.93	—	10	4.99
Burma	20.45	1.28	0.99	0.12	48.20	18.43	14	6.74
Ceylon	9.62	0.61	1.13	0.14	117.52	10.29	5	5.87
Pakistan	90.93	5.70	4.53	0.56	49.80	10.79	12	5.97
Thailand	21.88	1.37	2.24	0.28	102.27	10.00	15	15.34
Philippines	24.71	1.55	3.98	0.49	160.89	12.14	19	30.56
Turkey	27.02	1.69	4.46	0.56	165.00	6.51	16	26.40
Syria	4.53	0.28	0.63	0.08	139.71	—	15	20.95
Total	714.25	44.73	49.32	6.16	67.53	—	—	—

* Compiled on the basis of: *Monthly Bulletin of Statistics*, New York, February 1962; *United Nations Year Book 1960* New York, 1961; *Year Book of Labour Statistics*, Geneva, 1958.

In all the main Asian countries, even the most industrially advanced (India, for example), income produced by industry remains insignificant; calculated per capita, it is only 2 per cent of that in the industrially developed capitalist countries.

P. Moussa, a French economist, says that countries with a per capita annual income not exceeding $ 200 are "proletarian nations". He points out that these countries have a population of 1,800-1,900 million people, or about 65-70 per cent of mankind.[1] The majority of the population in the non-socialist world lives in conditions of economic and technical backwardness and has extremely low cultural standards.

P. Baran, an American economist, writes: "Approximately two-thirds of the human race have an average per capita income equivalent to some 50 to 60 dollars a year; it needs no explanation that for nearly all areas to which this statistic applies it signifies chronic starvation, abysmal squalor, and rampant disease." [2]

The polarisation of wealth and poverty within the world capitalist system has reached the limit. The United States and the countries of Western Europe, with approximately 27-30 per cent of the population of the capitalist world, have 75 per cent of food resources; on the other hand, the Asian non-socialist countries, with 50 per cent of the population of the entire capitalist world, possess only 17 per cent of the food produced by this system.

In the past 20 years the population of Asia increased by 35 per cent and food production, by 22 per cent; in Africa the corresponding figures are 46 and 44 per cent, and in Latin America 58 and 48 per cent.[3] Some Asian countries, which for centuries fed not only their own population but also exported large quantities of foodstuffs, have been turned by colonial misrule into regular importers of food. These countries (India, Indonesia, Pakistan, Ceylon and others) are spending a considerable part of their foreign-exchange receipts from exports of raw materials for the purchase of food abroad. Most people in these countries have been put literally on starvation rations. But the chronic semi-starvation to which most of the working population in the less developed countries is doomed, is not the limit to their tragedy.

L. Lebret, a French "Social Catholic", asserts that the present ratio of the living standards of the peoples in the less developed countries to that in the industrially advanced countries is 1 : 40 but their poverty is mounting and by the end of the century this ratio will be 1 : 200.[4]

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[1] *La nouvelle critique*, Paris, April 1961, p. 35.
[2] P. A. Baran, *The Political Economy of Growth*, New York, 1957, p. 220.
[3] Bonnefous, *La terre et la faim des hommes*, Paris, 1960, p. 20.
[4] L. J. Lebret, *Le drame du siècle*, Paris, 1960, p. 51.

The colonialists' theory of the inevitable poverty and impoverishment of the peoples in the less developed countries has become quite widespread. Lebret avoids the ticklish question of how quickly could the poverty of the peoples in the young national states be wiped out if their exploitation by the imperialists were to stop. The experience of eradicating poverty in the socialist Asian countries does not suit his purpose.

The problem of utilising the huge manpower resources, i. e., the problem of attaining the greatest possible productive employment of the able-bodied population, is facing the less developed countries in all its magnitude and acuteness. Figures of a selective survey systematically conducted by the Indian Statistical Institute attest to extremely low employment of the country's agricultural population.[5]

	Percentage of the rural population engaged in productive work	Rural population according to 1951 census, millions
7 hours a week.	13.6	35.7
14 hours a week. . . .	17.6	47.5
5 days a month.	20.2	54.5
10 days a month . . .	26.7	72.0
15 days a month . . .	36.1	97.0

A commission which studied conditions in Indian agriculture reported that "one-fourth to one-third of the existing labour force in agriculture may be surplus to its requirements".[6]

The situation is even worse in other countries of Southeast Asia and the Middle East.

The industrial backwardness of India, the most developed of the newly-independent countries, stands out especially when comparing the structure of employment (Table 15).

The lot of the people is worsened by the fact that the number of dependents as compared with the gainfully employed population is much higher in the less developed countries than in the West where industrial development has created a fundamentally different economic pattern and much higher employment figures.

According to the 1951 census, there were 2,504 dependents per 1,000 of the gainfully employed in India, 1,207 in Britain and 1,547 in the United States. The policy of the colonialists actually deprived a large part of the population of the opportunity to work and inflicted incalculable harm. In the long run, it led to the constant waste of huge manpower resources in all the colonies and dependencies for decades and even centuries.

[5] *Congress Planning Sub-Committee, Ooty Seminar, Papers Discussed*, New Delhi, 1959, p. 127.

[6] *Second Five-Year Plan*, New Delhi, 1956, p. 315.

Table 15

Employment of Population in Different Branches in India and the Developed Capitalist Countries

(per cent) *

Branch	India 1951	U. S. A. 1950	Britain 1950	Canada 1951	Japan 1951
Agriculture	71.9	12.5	5.0	19.4	48.7
Industry	9.7**	30.6	43.1	29.3	17.3
Construction	1.0	6.4	6.2	6.6	4.0
Transport and communication . . .	1.5	7.7	7.8	7.4	5.0
Trade	5.1	19.0	14.1	16.5	11.8
Services	10.8	23.8	23.8	20.8	13.2

* Sources: *Commerce and Industry*, Bombay, February 11, 1957; *Indian Journal of Economics*, Allahabad, 1957, No. 144, p. 176.

** This figure includes cottage and handicraft workers. The number of industrial workers was 2.3 million, or 1.8 per cent of the population.

For many years the colonialists prevented industrialisation and plundered the oppressed nations, thereby ousting a huge number of people from the sphere of material production. In the process of capitalist development of the Western industrial states, the peasants and the urban middle sections were ruined and industrial workers were ousted from expanding industrial production, forming a reserve army of unemployed, many million strong. In the process of capitalist accumulation in the Asian, African and Latin American countries, which took place in specific forms inherent in colonies and semi-colonies, tens of millions of small producers were ousted chiefly from agricultural and handicraft production.

In the Western industrial states there is over-accumulation and concentration of the means of production; the colonies suffer from lack of means of production or their acute shortage. In both cases, tens of millions of direct producers are doomed to poverty and complete idleness; in both cases, capitalism brings untold suffering to the people. But while in the first case it creates new productive forces and causes a tremendous rise in the productivity of social labour, in the second case its positive role is insignificant, with its destructive and exploiting activities intensified to a great degree.

The economic essence of the national-liberation movement is expressed in the people's desire to abolish the conditions which produce starvation, poverty, unemployment and the extinction of the population—the concomitants of backwardness imposed by colonial exploitation.

The only way to eliminate backwardness is to bring about radical social changes and industrialisation which provides the key to advancing all branches of the economy in the less developed countries.

Industrialisation has become an objective historical necessity, but it is naturally a long process. The problem of industrialising the young national states could only arise in the new international setting, as a consequence of the break-up of the colonial system, the formation of the powerful socialist community and the weakening of imperialism; its solution only became feasible as a result of the active technical and economic cooperation between the socialist and the newly-independent countries. The policy of industrialisation is always concrete. How to begin industrialisation, how to carry it on, at what rates and in what forms—all this depends on the conditions in each country and, in large measure, on the international conditions in which it develops. But under all circumstances the core of industrialisation is the building of a modern manufacturing industry. Moreover, the winning of economic independence usually begins when a country possessing the minimum necessary natural and manpower resources, gradually develops and then establishes a system for the manufacture of machinery by machinery—the decisive basis for increasing the overall productivity of labour in all branches of the economy.

To put off this particular period as long as possible is the main aim of the imperialists in their policy of hampering the industrialisation of the less developed countries. Industrialisation after the British pattern, which in the colonies dragged out for three centuries under foreign control and was based on steady imports of equipment, is fully acceptable for the preachers of neo-colonialism. They are against the establishment of a comprehensive national manufacturing industry and, in the case of large countries, of heavy industry. The very logic of the inevitable struggle for economic independence prompts the less developed countries in the first place to break the monopoly hold of foreign capital on the processing of agricultural and mineral raw materials. Each country can do this gradually and in a definite sequence only if the building of a range of manufacturing industries is given priority in its economic policy.

The main aim of reactionary Western politicians and economists is to keep the less developed countries away from the highroad of contemporary technical progress, to popularise industrial deve opment that perpetuates dependence on imports of equipment for the manufacture of consumer goods and to delay the elimination of the colonial economic pattern with its intrinsic low productivity of social labour.

It goes without saying that not all the newly-independent countries have to develop all or even the main branches of heavy industry. This is beyond the strength of many of them, and there is no necessity for it. Different objective conditions and natural and other factors exist in various countries; the chief thing is that the economic progress of the developing Asian countries, particularly large ones (India, Indonesia, Burma, Thailand, Pakistan, Iran, etc.), proceeds

on the basis of faster growth rates in the manufacturing industry and a more advantageous participation in the international division of labour. This must ensure the gradual emancipation of these countries from dependence on the imperialist powers, from non-equivalent trade with them and from their status as raw material appendages.

The need for faster growth rates in the manufacturing industry is becoming imperative for successful struggle for economic independence, particularly in countries with large territories and big populations, substantial natural resources and a certain minimum of industry.

The nature of industrial development of an economically backward country cannot be predetermined and dogmatically laid down proceeding from the subjective ideas of a certain statesman or a certain school. Each country can and will produce only the finished goods, the raw materials and food, extract the minerals and fuel for which it has the most favourable conditions. To make use of these conditions means to establish a rational economic complex on a national basis.

The activities of the leaders of these countries can be effective only if they concentrate accumulation and labour efforts on accelerating the development of local resources, ensuring an optimum combination of the output of means of production and of consumer goods, the extractive and manufacturing industries and different branches of agriculture. The efficiency of the economic policy of the governments in the less developed countries depends on how they succeed in consolidating and extending the national foundations of the economy as a whole, to what extent they satisfy the national requirements with local output, what they accomplish in raising the productivity of social labour and improving the people's life and, consequently, to what extent the country advances in achieving economic independence from the world capitalist market. Only slanderers representing reactionary economic schools can say that Soviet economists and Marxists in general demand of all economically backward countries the development of heavy industry at all costs.

The vast experience of socialist construction in the Soviet Union shows that to win economic independence it is of prime importance to develop at faster rates branches like fuel and power, general and specialised engineering, chemicals, steel, non-ferrous metals and building materials, transport and communication, which creates the conditions for a radical reconstruction and steep advance of agriculture and the light and food industries. But this does not at all mean that the highly valuable experience of the planned and proportional building of the socialist economy in the Soviet Union, which proceeded amidst a hostile capitalist encirclement, must be blindly copied by the young sovereign states of Asia, Africa and Latin America.

Marxists were the first to point out that the formation of the world socialist system and the break-up of the colonial system radically altered the conditions for the development of the economically backward countries. Having shaken off the chains of colonialism, these countries scored initial, at times quite considerable, successes in the struggle for economic freedom. The economic monopoly of foreign capital both within these countries and in their relations with other states was undermined to a certain extent. In their relations with the imperialist states they are now able successfully to resist the colonial aspirations, relying on all-round cooperation with the socialist countries. Their assistance greatly reinforces the positions of the developing countries in the effort to consolidate their political independence through the progressive reconstruction of the economy.

The economic policy of the socialist states towards the Asian, African and Latin American countries, designed to eliminate their technical and economic backwardness and strengthen economic independence, is compelling the imperialist powers to revise the terms of their economic aid and is imposing on them economic competition which is disadvantageous and undesirable for the colonialists.

The foundations of the steel, oil extracting and refining, and heavy engineering industries in the state sector of India have been laid with the decisive assistance of the Soviet Union. This shows that the less developed countries can achieve considerable successes in economic construction only if they boldly break one-sided economic ties and stop relying only on imperialist aid. The economic cooperation of Indonesia, Ceylon, Afghanistan, Iraq, the United Arab Republic and some African and Latin American countries with the socialist states proves that only with the help of the socialist community are the developing countries able to resist the imperialist policy both in its old and new forms.

A break with the economic monopoly of imperialism and development of a national economy on the basis of their own resources are major requisites for the economic independence of young sovereign states. The adverse results of an opposite policy are evident in some countries of the Middle East, Southeast Asia and the Far East where the ruling circles, succumbing to the anti-communist slogans, are sacrificing the interests of the nation to imperialism.

With the successful development of the world socialist system, the operation of the economic laws of capitalism grows weaker and the influence of the economic laws of the socialist system correspondingly rises. This is confirmed above all by the industrialisation of some of the larger developing countries despite the policy of monopoly capitalism.

The present stage in the general crisis of capitalism is marked by a fundamentally new feature. The industrialisation of the developing countries is less and less dependent on the industrial capitalist states of the West; it will increasingly be secured by the resources of the less developed countries themselves and also reinforced by their expanding cooperation with the socialist community.

The break-up of the colonial system is followed by a decline in the sources and means of imperialism's power in the less developed countries in the economic as well as the political sphere. At present, no colonial power can openly utilise methods of extra-economic compulsion which forms the basis for the exaction of colonial tribute. Scores of young sovereign states, with a different degree of consistency and success, are determined to end colonial plunder, to shut off or at least curtail the sources of imperialist accumulation. They are trying to choose suppliers of manufactured goods and means of production, and buyers of raw materials that are more advantageous to them. They are discovering for themselves the new world socialist market with its fundamentally new, equitable foreign trade relations. On coming in contact with the world socialist market, young sovereign states learn that the monopoly of the colonialists in the world equipment market has been abolished, that the imperialists no longer have the old possibilities of artificially preventing for a long time, in their own interests, the industrialisation of the colonies and dependent countries and dooming them to everlasting poverty in capitalism's backyard.

Imperialist ideologists are alarmed by the fact that today the biggest newly-independent countries are developing their industries through the mobilisation primarily of their own resources and with the decisive cooperation of the socialist countries. The competition between the two world social systems and also inter-imperialist rivalry are compelling the imperialist states to take part in the industrial development of the economically backward countries.

* * *

Present-day colonial policy, for all the diversity of its forms and methods, is limited in its choice between the prospects of complete bankruptcy or forced "cooperation" of imperialism with the less developed countries. There is no other way. In line with this, the imperialist camp is constantly renovating the old forms and devising new ways and means of "cooperation" with the newly-independent countries. This "cooperation" with each particular country is designed to lead to the establishment of more or less acceptable forms for the functioning and further development of foreign enterprise.

In an effort to work out and apply a new tactical line in the less developed countries, the ideologists of contemporary colonialism are acting on the following principles which they seek to impose on the young sovereign states:

however vast the natural resources of the Asian, African and Latin American countries are, they will remain barren without the machinery and organisational talent of the West;

no important economic measure in the developing countries can be carried out without promoting private enterprise in general and extending private foreign investment in particular;

the promotion of free enterprise must become the basis for cooperation between the local bourgeoisie and the bourgeoisie of the industrially advanced states;

economic ties with the socialist countries are "disadvantageous" and "politically dangerous", they supposedly undermine the existing system in the young national states and, therefore, these ties must be discontinued or reduced to a minimum;

a compromise is necessary with local governments, which should be based on essential restriction and, if possible, abolition of state enterprise;

exclusive or at least priority development of the light and food industries and agriculture is needed, while long-term industrialisation programmes are inadvisable at the present stage.

Such is the main approach of bourgeois economists to problems of industrialising the less developed countries.

Leaders of Asian countries which have embarked on the road of industrialisation take the opposite view. At a session of the All India Congress Committee in Hyderabad in October 1958 Nehru said: "I am of the firm opinion that in the past 200 years, the history of the world has shown that the only way to increase a country's wealth is through industrialisation. Prosperity of the people has not been increased except by adopting methods of science and technology. If we do not accept this, we cannot increase our wealth, howsoever hard we might work. India is, today, trying to get a grip on the strategic points of planning." India, said Nehru, is leaving behind the pre-industrial epoch and going over to the industrial era.[7] This view was summarised in the *AICC Economic Review* in the following way: "It is accepted on all hands that India has no choice in the matter of rapid industrialisation. 'Industrialise or Perish' has become the slogan of the people and the government of the day."[8]

In considering the industrialisation of the less developed countries, we should bear in mind that it is proceeding amidst the struggle between the two world systems and that the striving for industrialisation is irrepressible. Were the governments of the advanced capitalist states simply to deny the need for industrialising the less developed countries, this would be fraught with great danger for them. This is taken into account by their ruling classes, above all by the biggest monopolies which dominate the equipment market.

[7] *AICC Economic Review*, November 1, 1958, p. 7.
[8] *AICC Economic Review*, August 15, 1959, p. 17.

Lastly, consideration should be given to the contradictory tendencies manifest in the present period of capitalism's general crisis.

The industrialisation process was completed long ago in the developed states of Western Europe and America. The producer goods industries (output of the means of production) had already been fully shaped there by the end of the 19th century; they have long determined the composition of the national productive forces. In view of the growing contradiction between the private nature of appropriation and the social nature of production both producer and consumer goods industries are periodically hit by a crisis of overproduction of goods, whose sale is not insured by the effective home demand. These states depend on foreign markets.

It is the output of consumer goods in the advanced states that is first of all pushed for sale abroad and imposed on the market of the less developed countries. This is corroborated by the entire history of colonial expansion.

The very pattern of production in the developed capitalist countries, the narrow bounds of their home market, revealed in the chronic overproduction of consumer goods and the resultant chronic under-employment of productive capacity in both producer and consumer goods industries, imperatively demand the expansion of the sale of consumer goods through aid, credits, loans and donations, above all in countries with a low level of development of the productive forces. These countries, moreover, are suppliers of plant and mineral raw materials needed by the developed capitalist states.

The productive capacity of the developed capitalist countries which grew inordinately after the Second World War aggravated the marketing problem. The economic recessions which occur more frequently, while the phase of advance lasts for a short time, reveal the great need for foreign markets.

Hence the economic expansion of the imperialist powers which are fiercely fighting for the markets of the less developed countries. The imports of consumer goods to newly-independent countries run counter to their national economic interests because they are interested in industrial development and in buying, with their limited foreign-exchange resources, goods primarily for production purposes.

In view of this, the contradictions between national capitalism in Asia, Africa and Latin America and capitalism in the imperialist states are mounting. The positions of the imperialist powers in the consumer goods markets of the less developed countries will clearly grow weaker.

But, simultaneously, another tendency appears. The rapid technical progress in the industrially developed countries after the Second World War ushered in a real technical revolution. Specialisation of production, particularly in new branches of the manufacturing industry, is also characteristic of the postwar period. This largely explains the rising exports of up-to-date means of production

from some developed capitalist countries into others. This new tendency is also bound up with the ever greater investments in producer goods industries. Although the old, key industries (metallurgy, fuel, shipbuilding, etc.) operate below capacity, on the whole they continue to grow tremendously on a new technological basis. An unprecedented expansion in the output of the means of production is taking place, and these goods, too, have to be sold. But the sale of up-to-date means of production within the industrially developed countries is hampered by certain conservatism in the replacement of basic equipment inherent in monopoly capitalism. Therefore, each of these countries is faced with the problem of exporting means of production to other countries, including less developed ones.

Rapid technical progress levels the development of the productive forces in the imperialist states and aggravates their competition in all markets, particularly the market of capital goods. Struggle between the imperialist powers for the available and potential capital goods markets in the less developed countries is acquiring prime significance. In view of this, there is a growing tendency to expand the exports of capital goods to economically backward countries.

The exports of capital goods from 13 of the leading capitalist states, which account for 95 per cent of the capitalist equipment exports, are shown in Table 16.

Table 16

Export of Equipment and Transport Facilities
(million dollars) *

	1937	1953	1959	1961
Total exports	2,300	10,700	19,000	21,700
Of which:				
to developed countries	850	5,200	10,800	13,400
to less developed countries . . .	1,440	5,500	8,200	8,300

* Sources: *Monthly Bulletin of Statistics*, March, 1961; *Экспорт оборудования капиталистическими странами*, Москва, 1958; *Мировая экономика и международные отношения*, № 11, 1963, стр. 154.

The export of equipment to less developed countries, while strongly lagging behind the exports to advanced countries, nevertheless rose in 1961 5.7 times as compared with 1937 and 50 per cent as compared with 1953, reaching a sum of $ 8,300 million; this is 38 per cent of all the equipment exports in the capitalist world. This means that nearly two-fifths of all the equipment marketed in the capitalist world are bought by the less developed countries. In contrast to 1937, the equipment no longer goes to colonies but to politically independent states which are building up their own national industries.

The imperialists are no longer able openly to prevent the industrialisation of the developing countries. But they can hamper it even when the monopolies themselves sell equipment to the less developed countries. They sell equipment at exceedingly high prices, furnish credits at high interest rates, often refuse to sell the latest equipment and foist on them obsolete plant at high prices. The export of profits by the monopolies from the less developed countries, greater than the originally invested capital, also hinders industrialisation.

Industrialisation is impeded by the costly sale of patents, by refusal to organise a complete manufacturing cycle, limiting it to the assembly of parts imported from abroad, by keeping production processes secret and by dishonest geological prospecting, construction, assembly and commissioning of projects. Western specialists often present exaggerated estimates of projects and overdraw foreign-exchange appropriations.

Nor is the building of a national economy promoted by the rising military expenditure of countries belonging to aggressive blocs, by imperialist-fomented territorial conflicts, separatist movements and rebellions and the arming of one country with the object of giving it military advantages over other countries.

The keen rivalry between the developed capitalist states in the equipment market, however, objectively enables the backward countries to utilise this competition for their industrial development. Of course, competition between the socialist community and imperialism is of decisive importance in obtaining equipment for industrialisation.

A peculiar situation arises: the economic and political contradictions between the national bourgeoisie of the young sovereign states and imperialism are growing, inasmuch as imperialism seeks to keep these countries as buyers of consumer goods and suppliers of raw materials. At the same time, a certain possibility of agreement between the national and the imperialist bourgeoisie arises, inasmuch as the objective need for extending the exports of the means of production to less developed countries creates an economic basis for such agreement. This of course does not at all mean that the bourgeoisie of the imperialist states is becoming directly interested in eliminating the economic backwardness of the former colonies and semi-colonies. It merely signifies that the growing resistance to colonialism offered by the young states, which draw on the extensive assistance of the socialist world, and also the constant overproduction of capital goods in the industrially developed capitalist countries and their competitive struggle, sharply clash with the policy of the imperialist states of hampering the independent industrialisation of the less developed countries on a national basis.

Table 17 shows how the struggle of the imperialist powers and groups on the market of equipment and transport facilities in the

Table 17

Imports of Equipment and Transport Facilities by Asian Countries (excluding Japan) (million dollars)*

	1956	1958	1960	1962	1962, percentage of 1956
Total	2,480	2,760	3,240	3,880	157
Of which from:					
socialist countries	99	244	228	402	405
developed capitalist countries	2,160	2,440	2,910	3,320	154
Of which from:					
North America	645	595	685	940	146
E.E.C. countries	590	790	880	845	143
EFTA countries	766	855	894	976	127
Japan	138	175	407	500	362

* Source: *Monthly Bulletin of Statistics*, January 1964, Special Table B, p. XII.

newly-independent countries grew sharper, especially after the formation of the European Economic Community (E. E. C.) and the European Free Trade Association (EFTA).

It is indicative that the developing countries' imports of equipment from the socialist community in the second half of the 1950's rose by 305 per cent, while imports from the capitalist countries increased by only 54 per cent. The Common Market countries extended exports of equipment to Asia and the Middle East by 43 per cent and the EFTA countries, by 27 per cent.

Import statistics of the main Asian countries attest to their persistent desire to increase the purchases of capital goods. This systematically raises their share in total imports and, consequently, leads to a more purposive productive use of their own and borrowed foreign-exchange resources (see Table 18).

Table 18 graphically shows that the share of capital equipment in total imports rose noticeably in the Southeast Asian countries, which signifies a certain acceleration of their industrial development. But the bulk of foreign-exchange resources in most countries is still spent for the import of consumer goods or materials for their manufacture. This is a vulnerable spot in the system of foreign-trade relations of the less developed countries with the advanced capitalist countries. The import market of consumer goods in the economically backward countries has been captured and is still being exploited by the principal capitalist powers.

The capitalist development of the economically backward countries, which involves the antagonistic contradiction inherent in the accumulation of capital by exploiting the people, does not pro-

Table 18

Imports of Capital Equipment and Materials for It by the Main Southeast Asian Countries (per cent)*

Country	1952	1956	1960	1962
Burma	35.9	39.9	35.4	52.3
Cambodia	—	28.5	37.9	49.4
Ceylon	27.3	26.5	29.2	31.5
Malaya and Singapore	33.0	27.6	27.6	32.9
India	36.8	53.6	53.8	54.0
Indonesia	31.3	34.9	31.2	35.2
Laos	—	33.6	36.1	26.9
Pakistan	34.7	53.6	59.5	64.2
Philippines	31.2	44.0	53.8	47.7
Thailand	38.5	41.7	48.7	50.2

* Source: *Economic Survey of Asia and the Far East 1960*, Bangkok, 1960, pp. 146-148; *Economic Survey of Asia and the Far East 1963*, Bangkok, 1963, pp. 212-214.

mote the maximum concentration of internal and external resources for the import of capital goods. Capitalist development is connected with the import of huge quantities of goods for the personal consumption of the ruling classes, for which the foreign-exchange resources are ised.

Statistics of the less developed countries do not subdivide the total import of capital goods into those needed for the production of machinery and for the production of consumer goods. This makes it difficult to place imports in the producer goods or consumer goods category. But statistics furnish separate data on the import of transport facilities, plant and basic metals (Table 19).

The import of plant in countries listed in the table increased 45 per cent in nine years, while the import of transport facilities[9] and basic metals increased 66 and 69 per cent respectively.

The composition of U.S. exports to Southeast Asia has substantially changed. In 1938, the U.S. exported to these countries equipment (including transport facilities) for $60.9 million; in 1948, $251.3 million and in 1961, for $417.5 million.[10] The use of state credits, loans and subsidies for financing the sale of American goods, including metalwares, rolled stock, equipment and transport faci-

[9] Motor-cars make up a considerable part of the imported transport facilities (up to half).

[10] *Foreign Commerce and Navigation of the United States 1938*, Washington, 1939; *United States Exports of Domestic and Foreign Merchandise 1948*, Washington, 1949; *United States Exports of Domestic and Foreign Merchandise 1960-1961*, Washington, 1962.

Table 19

Average Monthly Imports of Transport Facilities, Industrial Plant and Basic Metals and Metalwares*

Country	Monetary unit	Transport facilities		Industrial plant			Basic metals and metalwares		
		1954	1962	1962, percentage of 1954	1954	1962	1962, percentage of 1954	1954	1962	1962, percentage of 1954
Burma	Million kyat	4.6	4.7	104	7.8	11.9	153	9.4	10.2	108
Cambodia	Million riels	8.5	33.9	400	5.6	39.9	711	10.1	39.4	390
Ceylon	Million rupees	4.8	6.2	129	5.7	11.7	205	—	—	—
Malaya	Million Malayan dollars	4.1	16.6	404	8.2	23.4	285	—	—	—
India	Million rupees	31.7	51.5	162	75.7	255.6	337	45.3	133.4	295
Indonesia	Million rupees	—	—	—	116.2	174.0**	149	63.2	67.0	106
Laos	Million kyat	3.5	8.4	240	3.9	10.6	272	—	—	—
Pakistan	Million rupees	3.7	31.3	847	22.9	76.0	332	—	—	—
Philippines	Million pesos	4.2	20.4	485	10.3	41.2	400	—	—	—
Thailand	Million baht	44.6	91.1	204	71.1	170.2	240	—	—	—

* Source: *Economic Survey of Asia and the Far East 1960*, pp. 149-151; *Economic Bulletin for Asia and the Far East*, September 1964, pp. 64-66,

** In 1959 prices.

lities, is causing important shifts in the economic relations of the United States with Southeast Asia. In the past five years, the sphere of direct commerce in goods, including equipment, has shrunk, but the credits, their terms and the loan policy are beginning to play an ever greater part in pushing American goods, including plant, in the Southeast Asian market.

American businessmen cannot help realising that the industrial advance of the developing countries is inevitable. But they claim that industrialisation of the less developed countries will be a slow and costly job, and it should keep busy the American engineering industry.[11]

But monopolies are monopolies. They are interested in high prices, as well as markets, especially when there is a chance to jack prices up and get monopoly profits on the sale of equipment to some Asian countries, with the credits being provided by the U.S. Development Loan Fund. American equipment prices are rising faster than those of other countries. If we take equipment prices in 1954 as 100, in 1959 they were 119 in Britain, 112 in Japan, 114 in West Germany, 101 in Italy and 123 in the U. S. A.[12]

The high cost of American equipment is evidently an important factor in its low competitive position in Southeast Asia, but its sales are pushed by the U. S. credit and loan policy. The positions of its rivals—Britain, West Germany and Japan—in the Southeast Asian equipment market have grown stronger in recent years. This is clear from Table 20.

Britain, West Germany and Japan have not only retained the positions they had won by 1955 but have extended them, especially West Germany and Japan. In these conditions the American monopolies are making extensive use of U.S. long-term government credits to Southeast Asian countries, to their state and private sectors. Washington is trying to get these countries interested in the purchase, on favourable terms, of second-hand machine tools and other equipment belonging to American government enterprises. India is taking almost 75 per cent of this equipment. In 1959-1960 these exports amounted to $70 million. The Indian press reported that this equipment was valued at about 10 per cent of its original cost.[13]

If we analyse the composition of American exports to this area in 1961, electrical equipment comprised 13 per cent, power equipment, 4 per cent, building and mining, 15 per cent, metal-working machines, 4 per cent. Over 40 per cent consisted of printing and office equipment, tractors, motor vehicles and rolling stock (including spare parts) and about 20 per cent, of machinery for the light (textile, clothing and shoe) industry. The composition of American equipment exports thus clearly mirrors the policy of restraining the indus-

[11] *Business Week*, October 31, 1953.
[12] See *Monthly Statistical Commentary*, July-October 1961.
[13] *Economic Times*, March 22, 1961.

Table 20

Exports of Equipment and Transport Facilities by the Principal Capitalist Countries to Southeast Asia*

	1955				1961			
	Britain	U. S. A.	West Germany	Japan	Britain	U. S. A.	West Germany	Japan
Total								
million dollars	386	255	156	85	553	417	272	250
1961, percentage of 1955 . . .	—	—	—	—	143	163	174	292
Including exports to the main countries listed below:								
India								
million dollars	174	79	88	29	274	117	123	44
1961, percentage of 1955 . . .	—	—	—	—	158	148	125	152
Pakistan								
million dollars	51	20	18	9	67	43	31	15
1961, percentage of 1955. . . .	—	—	—	—	131	205	172	168
Indonesia								
million dollars	10	24	20	6	25	58	49	61
1961, percentage of 1955	—	—	—	—	250	242	245	1,010
Philippines								
million dollars	6	81	4	10	17	105	20	45
1961, percentage of 1955 . . .	—	—	—	—	284	129	500	450

* Source: *Commodity Trade Statistics 1955*; *op cit*, 1961.

trial development of Southeast Asia, even after 1961 when the United States, under the pressure of circumstances, was compelled to increase the delivery of plant for the manufacturing industry. From 1957 to 1962, American exports of equipment for the Indian light industry rose 2.6 times, power equipment 3 times and metalworking 2.5 times. The "buy American" policy, reinforced by rather substantial credits and loans now being pushed by Washington, will increase American equipment exports to this area, especially to India, and engender fiercer rivalry between the imperialist monopolies of different countries.

All these data permit us to make some conclusions.

Present-day colonial policy is highly contradictory and two-pronged. On the one hand, the imperialists want to preserve the old colonial orders in the Asian, African and Latin American countries; on the other, they are compelled to grant them political independence.

On the one hand, the imperialists are interested in keeping the less developed countries as raw materials suppliers and consumer goods buyers; on the other, they are forced to join in the process of their national industrial development.

On the one hand, the imperialists seek to preserve the one-sided economic pattern in the less developed countries; on the other, they are forced to render them technical and financial aid in building new branches of the economy.

On the one hand, the imperialists are afraid of the process of industrialisation under way in the principal newly-independent countries, regarding them as future competitors on the market of manufactured goods; on the other, they sell them a considerable quantity of capital goods, of which there is an overproduction in the developed capitalist states.

On the one hand, the imperialists are opposed to, or are extremely wary of, national capitalism in Asia, Africa and Latin America, perceiving a danger to themselves in its "economic extremism" (nationalisation, etc.); on the other, the imperialist ideologists are trying to find in it possibilities for "rejuvenating" the world capitalist system.

The general line of the imperialist states, aimed at hampering industrialisation, must not be treated in an oversimplified way. The developed capitalist countries are exporting large quantities of capital goods not for the benefit of the backward countries but in their own interest, namely, to extract high profits, oust competitors and capture markets, to alleviate overproduction crises in the capital goods market, extend their positions, establish or consolidate ties with the ruling circles of the developing countries, counterpose their aid policy to the disinterested assistance of the socialist states, tie the less developed countries to the capitalist system and prevent their transition to the road of non-capitalist industrialisation. These contradictions will grow deeper, causing further antagonism between the less developed countries and the imperialist powers, and between the socialist and the capitalist world.

These contradictions will grow deeper also because the imperialist bourgeoisie of the United States and its West European partners, being to a certain extent compelled to allow the industrial development of the former colonies and semi-colonies by importing equipment for organising the machine production of semi-manufactures or consumer goods, are restraining the import of equipment needed for the manufacture of machinery. And it is the latter that is the keystone in industrialisation on an independent national basis.

* * *

Ideologists of neo-colonialism admit the possibility of organising the national manufacture of the means of production by the

less developed countries only as a result of the prolonged development of capitalism: at first in agriculture, the crafts, trade, manufactories, then in the light industry and only at the end of this long road, in their opinion, the national manufacture of the means of production should arise.[14]

R. Frost, a leading economist of the International Bank for Reconstruction and Development, asserts that the desire to build up a heavy industry in the less developed countries is economically unsound and hence unjustified. In channelling investments "economic rather than political considerations" should be taken into account,[15] while every attempt by a country to create a heavy industry of its own is, in his opinion, merely a tribute to politics. From his point of view, in countries where poverty prevails and the population is swiftly growing investments should be made first of all in branches which yield an economic effect and these are agriculture and the extractive industry working for export; primary processing of agricultural produce and concentration of mineral raw materials; production of the simplest consumer goods and their partial export; production of elementary types of equipment solely for the home market.

True enough, no developing country can ignore the need of building industries which meet the vital needs of the population and are the main source of foreign exchange. The income from the sale in foreign markets of the output of agriculture and forestry, fishing and mining must be as big as possible to provide better opportunities for industrialisation, without which all these branches of the economy cannot have a solid foundation.

Most bourgeois economists, however, do not consider industrialisation the chief task of the economically backward countries. The experience of the socialist countries shows that industrialisation should not and cannot be put up in contrast to the advance of all the other branches of the economy, that this advance is a simultaneous and organic process in which industrialisation is the principal link. Bourgeois economists, however, claim that as an immediate task it could harm the economy of the less developed countries. M. Bryce claims that "industrialisation is a risky business at best. At worst, it is a quick way to waste scarce resources and valuable time."[16]

The ideologists of colonial policy are becoming increasingly more flexible and cunning. For example, E. Staley, an American economist who defends the interests of the monopolies, does not

[14] This view is expounded most consistently, with a claim to originality in presentation, by W. Rostow in his book *The Stages of Economic Growth. A Non-Communist Manifesto*, Cambridge (Mass.), 1960, pp. 2, 43-45.

[15] R. Frost, *The Backward Society*, New York, 1961, p. 177.

[16] M. D. Bryce, *Industrial Development. A Guide for Accelerating Economic Growth*, New York, 1960, p. 14.

deny the need for industrialising the less developed countries. The whole point lies in his exposition. He attacks "a myth, widely believed in underdeveloped countries, that the United States does not want them to develop industries for fear of competition".[17] As a model, Staley offers the less developed countries the industrialisation of Denmark and New Zealand—yet it is clear that Denmark and New Zealand, notwithstanding the relatively high average per capita income (which leads the bourgeois economists to put these countries in the highly-developed category), despite the high degree of mechanisation of their agriculture, remain the agrarian hinterland of the big imperialist powers for their industrial development level and degree of economic independence.

Staley of course knows that colossal quantities of farm machinery are needed for the complete technical re-equipment of agriculture in the less developed countries and for bringing it up to the level of Denmark and New Zealand. But since they have no farm machinery industry of their own, only one thing remains—to use the meagre accumulations of these countries for buying farm machinery from the industrial capitalist states.[18]

The Danish and New Zealand model holds out for the less developed countries the prospect of remaining dependent agricultural countries without a manufacturing industry of their own, which have to buy equipment from the imperialist monopolies. Here you have a programme of neo-colonialism under the guise of industrialisation. If, however, Staley supposes that a radical technical reconstruction of millions upon millions of small and tiny peasant farms, especially in the large developing countries, can take place without reliance on a national industry and without deep-going social reforms, he is at best mistaken and at worst deliberately trying to mislead others. The question why the growth of agriculture cannot and must not be counterposed to industrialisation in the newly-independent countries wishing to gain economic freedom, is very important. It was the subject of a special discussion held at the end of 1959 at the 22nd Session of the Society of Economic Research Institutes in West Germany. The session was directed by Professor Fritz Baade, former director of the Institute of World Economy in Kiel, who is known as a realistically-minded bourgeois scientist.

Prof. Baade analysed the main features of agriculture in the less developed countries. He noted the rapid growth of the rural population and the slow growth rates in the production of food, the absence of large tracts of free land suitable for cultivation without

[17] E. Staley, *The Future of the Underdeveloped Countries*, New York, 1961, p. 307.

[18] Nehru gave a convincing reply to all who advocate such views when he said: "If we are to industrialise it is of primary importance that we must have the heavy industries which build machines" (*Problems in the Third Plan. A Critical Miscellany*, New Delhi, 1961, p. 35).

preliminary irrigation, the need for very big investments in agriculture, above all in irrigation projects, and lastly, the huge relative overpopulation in rural areas and the high level of unemployment of the direct producers.

Notwithstanding this critical assessment of the state of agriculture, Prof. Baade drew quite an interesting conclusion directed against the proponents of the exclusive or priority development of agriculture by restraining industrialisation. He said: "These countries have no possibility of slowing down the rates of industrialisation and developing agriculture instead. Industrialisation and the development of agriculture are not an alternative but two aspects of one and the same process which condition and determine each other."[19]

Bourgeois economists are widely propagating the idea that the building of large modern plants is economically unprofitable in the less developed countries and that it is expedient for them to expand their industries through small, poory equipped establishments scattered all over the country.[20]

This point of view is based on the following arguments: per capita income in the developing countries is low, the excess of income over consumption is very insignificant, in view of which they have no real opportunities for building large modern enterprises; these countries must build small establishments to employ more of the able-bodied, unoccupied population. The type of development which supposedly suits most the developing countries is not capital-intensive, and therefore highly productive, modern industry but labour-consuming industry, close to manual production and therefore of low productivity.

American economists of Princeton University write that from the political viewpoint the encouragement of cottage industry, its development in small towns and rural communities is much better than the concentration of industry in big cities.[21] The opponents of industrialisation call for the development of the crafts, dreading the growth and concentration of factory workers who, allegedly, are more inclined to resort to violence, to organise political groups and carry political ideas and organisation into agricultural areas. [22] The viewpoint of these American scientists is determined by fear of the class struggle, of the class-conscious and revolutionary proletariat,

[19] *Landwirtschaft und Industrialisierung in der Entwicklungsländern*, Berlin, 1960, p. 25.

[20] Cf. E. Staley, *op. cit.*; A. J. Coole, E. M. Hoover, M. Weiner, *Prospects of Population Growth and Their Implications for Economic Development in India 1956-1986*, Princeton, 1958.

[21] A. J. Coole, E. M. Hoover, M. Weiner, *Prospects of Population Growth and Their Implications for Economic Development in India 1956-1986*, p. 172.

[22] *Ibid.*, p. 174.

whose growth and organisation inevitably ac cmpany the process of industrialisation.

In all the less developed countries great attention is paid to the crafts and small-scale industries. This is natural if we consider that in these countries the level of employment of the adult population is exceedingly low, per capita income is small, agricultural labour is of a markedly seasonal nature and the cottage industry and crafts have long-standing traditions. But the policy of developing small-scale industry cannot give the less developed countries a solid foundation and cannot advance the people's living standards. Nehru said at the time when India's Third Five-Year Plan was discussed: "Unless we start from the base we cannot build the third or fourth storey. We can advance in minor sectors of the economy but if we do not build the basic structure, it will not make any difference to the hundreds of millions of our people. The strategy governing planning in India is to industrialise, and that means the basic industries being given the first place."[23]

In most Asian countries, particularly in India, small-scale industry enjoys the patronage of the state. This does not protect it from the competition of large-scale, including foreign, private-capitalist industry. Every year hundreds and thousands of small-size industrial establishments go to the wall. For this reason too it cannot serve as the basis of the national economy.

It is only in the doubtful recommendations of reactionary American and West European economists that the development of the crafts and small-scale industry is put forward as the basic line of industrial progress in the less developed countries—for the sole reason that it calls for smaller outlays. These recommendations are prompted not by concern for the crafts and the small producer, for the greatest possible employment of the population; they are an expression of the selfish interest of the monopolies in retarding the development of a large-scale machine industry in the newly-free countries. Even the swiftest growth of small-scale industry can never bring a country economic independence. It does not increase the industrial potential and does not improve the competitive position in the world capitalist market, does not mitigate the non-equivalent trade which harasses all the less developed countries. Lastly, the development of small-scale industry does not create the requisites for extended reproduction and the radical reconstruction of all branches of the economy, agriculture included, on a new technical basis, so badly needed by all the backward countries.

That is why most of the developing countries, contrary to the reactionary advice of bourgeois economists, have proclaimed the policy of industrialising their economy. This, far from precluding,

[23] *Problems in the Third Plan. A Critical Miscellany*, New Delhi, 1961, p. 35.

presupposes the further development of both the crafts and small-scale industry which, organised into cooperatives, will improve their technical facilities and enjoy the favourable effect of industrialisation and assistance of the state sector.

* * *

The economy of most Asian, African and Latin American countries excessively depends on exports in general and the exports of a few key commodities in particular.

The situation in the world market, chiefly the main markets of Western Europe and the United States, determines the amount of foreign exchange the developing countries receive for their goods exports. This affects their economic growth rates and largely tells on living standards.

The disadvantageous positions of the backward countries in exports are due to the fact that they sell primarily raw materials of a very limited assortment and to their subordinate position in the international capitalist division of labour. The undeveloped economy makes for a narrow pattern of export trade, obligating the exporting countries to sell their goods through world commodity exchanges dominated by the imperialist monopolies. The one-sided nature of their export trade and, consequently, the dependence of their foreign-exchange reserves on the sale of a few commodities is clearly seen in Table 21.

To one degree or another all the developing countries so far remain the "agrarian hinterland" of the capitalist world. The wide opportunities for rational employment of the natural wealth are not utilised in most of these countries because they lack the means of production. It is necessary to create an initial industrial basis which could be used for converting the manpower and raw material resources into a system of installations, machinery and equipment essential for the constant development of the main industries, agriculture, transport and the means of communication. Only then can a country consider itself to a certain extent economically independent. Many newly-free countries have embarked on this path, and this makes their policy progressive.

The transition to a diversified economy is so difficult because of the lack of the primary basic industrial capacity and the requisite technical know-how. Moreover, each country seeking to build a diversified economy encounters the strongest resistance from imperialism. It is also difficult for it to rely on neighbouring countries which are in a similar position. The only support available is the socialist community.

Since the export potential of a developing country which has no large reserves of gold or convertible currency determines the volume of imports of capital goods (especially significant for industrialisation), each of these countries is interested in maximum or at least stable prices for its export commodities.

Table 21

Share of the Principal Commodities in the Exports of the Main Asian Countries
(per cent)*

Country	Main export items	1948	1957	1959	1962
India	Cotton, cotton goods, jute articles, tea	70	49	44	40
Pakistan	Cotton, jute	70	70	52	50
Burma	Rice	79	74	71	64
Ceylon	Tea, rubber	—	83	79	79
Indonesia	Oil and oil products, rubber	50	66	74	76
Thailand	Rice, rubber, tin	68	71	64	64
Iran	Cotton, dried fruit, rugs	—	59	55	65**
Turkey	Tobacco, dried fruit, cotton	—	68	61	66
United Arab Republic	Cotton	—	72	79	53
Syria	Wheat, barley, cotton	—	55	63	—

* Sources: *Economic Survey of Asia and the Far East 1958*, *Economic Survey of Asia and the Far East 1959*, *Economic Survey of Asia and the Far East 1963; Economic Bulletin for Asia and the Far East*, Bangkok, September 1960, *Economic Bulletin for Asia and the Far East*, September 1964; see also *Экономическое положение стран Азии и Африки в 1957 и первой половине 1958 г.*, Москва, 1959; *Экономическое положение стран Азии и Африки в 1959 г.*, Москва, 1961; *Экономика капиталистических стран*, Москва, 1959.

** Figure for 1961/62.

The important thing is not only a policy of stimulating exports and limiting non-productive imports. Even if a successful foreign trade policy is applied, the general level of world prices of goods exported by the developing countries remains disadvantageous for them. The monopolies are interested not only in preserving the non-equivalent trade but also in increasing the price gap and they are exploiting market conditions to this end. The official report on world trade in 1959 pointed out that between 1953 and 1958 export prices of manufactured goods rose 7 per cent, while prices of raw materials declined 5.5 per cent. As a result, the national income of the advanced countries increased by $ 2,800 million (in 1953 prices), while the purchasing power of the less developed countries dropped by $ 1,700 million.[24]

If we take the general price index of primary export commodi-

[24] *World Trade in 1959*, Paris, 1960; *Eastern Economist*, September 25, 1960.

ties, in 1960 it amounted to 94 (1953=100), while the price index of imported manufactured goods was 109. The gap in favour of prices of manufactured goods arose in 1956 and began to grow steadily: in 1956 it amounted to 3 points, in 1957 to 4 points, in 1958 to 10 points, in 1959 to 12 points, and in 1960 to 15 points.[25] In 1961, world prices of raw materials and food declined on the average by 3 per cent, and prices of goods exports by the less developed countries, by 4.3 per cent. In 1962, the deterioration in trading conditions for the less developed countries continued. As compared with 1952-1954, the level of prices of agricultural commodities was approximately 15 per cent lower in 1962; prices of manufactured goods were 8 per cent higher.[26]

To maintain foreign-exchange receipts at the previous level or close to it, the developing countries are compelled to increase the physical volume of exports, i. e., to hand over part of the wealth they produce to the monopolies in the industrial countries without compensation. This is an inevitable sequel to non-equivalent trade. It is graphically revealed by indices of the physical volume of exports and export prices of the less developed countries (1953=100).[27]

Year	Export prices	Physical volume of exports
1954	102	102
1955	102	110
1956	101	117
1957	101	120
1958	97	121
1959	93	131
1960	94	136
1961	92	—

These figures show how slowly and with what difficulty the principal Asian countries began to alter the one-sided pattern of their economy.

If the 15-point gap is extended only to the industrial imports of the less developed countries, their annual losses will amount to about $ 6,000 million, which is several times greater than the entire sum of imperialist aid. If account is taken of the losses of the developing countries on the exports of raw materials and food and the withdrawal of profits by foreign capital, the total losses will be close to $ 20,000 million annually, which is approximately five or six times greater than the sum of economic assistance needed for stable economic growth by the less developed Asian, African and Latin American countries (estimates by U.N. experts).[28]

[25] *Monthly Bulletin of Statistics*, March 1961.
[26] *The World's Agricultural Situation*, Washington, 1963, pp. 5-7.
[27] *Monthly Bulletin of Statistics*, April 1961, April 1962.
[28] *Экономическое положение капиталистических стран*, Москва, 1962, стр. 73.

A comparison of world prices of one and the same group of commodities, produced in different countries in conditions of differing labour productivity, reveals another highly important trend. The developed capitalist countries not only make a tremendous profit on non-equivalent international exchange, but also benefit from the fact that they themselves have become big suppliers of food and mineral raw materials; moreover, their production costs are much lower than those of the less developed countries, and the market prices they receive for their goods are considerably higher (Table 22).

Table 22

World Prices of Analogous Commodities Produced in the Highly-Developed and Less Developed Countries (1950=100) *

	1955	1956	1957	1958	1959	1960	Average for six years
Foodstuffs:							
from highly-developed countries	106	106	103	103	107	105	105
from less developed countries	104	103	108	103	90	88	99.3
Mineral raw materials:							
from highly-developed countries	127	141	149	143	135	135	138.3
from less developed countries	107	108	111	113	108	106	109

* Source: *Monthly Bulletin of Statistics*, March 1961.

These figures reflect another important phenomenon. It is chiefly the highly-developed, and not the less developed countries, that benefit from the fluctuation of food and mineral raw material prices on the world market. When prices decline, the fall is greatest in commodities produced in the less developed countries; when prices rise, they increase most of all on goods produced in the highly-developed countries.

To this day non-equivalent trade continues to drain the resources of the developing countries. At the present stage the indirect methods of exploiting the less developed countries employed by the imperialist monopolies have become the main ones. These methods are based on non-equivalent trade and the monopoly of selling manufactured goods and buying agricultural commodities. Though not new in principle, these methods have now gained prime significance, inasmuch as the direct exaction of colonial tribute (of decisive importance in the period of open political domination) is no longer possible. Only industrialisation with the support of the so-

cialist community holds out the prospect of gradually eliminating this form of exploitation of the former colonies and dependent countries.

* * *

The pseudo-scientific bourgeois theory of "comparative production costs" [29] is used to justify the need for keeping the less developed countries in the position of the "world countryside". According to this theory, the Asian, African and Latin American countries must remain monopoly producers of raw materials from the tropical and subtropical zone. The arguments of this theory are quite simple. In countries of another zone, tropical and subtropical raw materials, excluding substitutes, cannot be produced; therefore the low production costs represent an advantageous source of accumulation. This theory, however, ignores the fact that non-equivalent trade enables the imperialist monopolies to reap all the benefits accruing from low production costs in the less developed countries.

The theory of "comparative production costs" justifies the non-equivalent, unprofitable and, consequently, disadvantageous, one-sided composition of foreign trade between the less developed countries and the West. The purpose of this theory is to perpetuate the existing international division of labour and thereby paralyse a development of international trade based on mutual benefit.

From the theory of "comparative production costs" follows the concept that contemporary international trade supposedly evens out the prices of the so-called factors of production (land, capital, labour) and consequently helps to even out the incomes of all countries.[30] These concepts are exceedingly dangerous for the economic policy of the developing countries. They imply that the existing international division of labour benefits everyone and that it supposedly arose for the purpose of producing and selling the largest quantities of goods with the least outlay of labour and other "factors of production."

These theories ignore the simple fact that almost 90 per cent of the gross output of the manufacturing industry in the capitalist world is produced not in the areas which contribute the plant and animal raw materials and where these materials are cheapest, but in Western Europe and North America to which they are transported from Asia, Africa and Latin America.

It is the industrial monopoly of the West that enables it to exploit the agricultural countries and appropriate the entire difference

[29] See, for example, G. Myrdal, *Economic Theory and Underdeveloped Regions*, London, 1957; G. Myrdal, *An International Economy. Problems and Prospects*, New York, 1956.

[30] See P. A. Samuelson, *Economics*, New York, 1958.

in value created in the production of all kinds of food, raw materials, minerals and fuel, which are transported to the West, processed there and then sold on the world markets.

The theory of "comparative production costs" is a keen ideological weapon used by the imperialist monopolies against the industrial development of the former colonies and semi-colonies and in defence of non-equivalent trade. Under this theory, the less developed countries have to forego industrialisation because they are rich in raw materials but poor in capital and hence there is no point in engaging in capital-consuming industrial production.

The economic history of the development of the Western and Eastern countries refutes the theory of "comparative production costs" and multiple "production factors" which seeks to prove the mutual benefit and interest of the economically backward and the developed countries in the existing international exchange and division of labour which supposedly even out, on the basis of the law of value, the incomes of both groups of countries.

Britain grew no cotton of her own, but created a textile industry. She grew no jute but built up a jute industry in Scotland. The iron and steel industries of Japan and Italy have neither local iron ore nor coal, but they have been greatly developed on the basis of imported raw materials and fuel. The oil refining industry developed not in Iran, Saudi Arabia, Kuwait or Indonesia where oil is produced, but in France, Italy, Britain and West Germany which have no oil of their own.

The rubber manufacturing industry arose not in Malaya, Indonesia or Thailand which produce natural rubber, but in Britain, France, Italy and the United States which import rubber. The modern woollen, leather, shoe and other light industries which work on imported raw materials from Asia, Africa and Latin America are owned by American, British, German, French and Japanese capitalists.

It is in countries which possess plant, animal and mineral raw materials and fuel that foreign exploitation brought the people systematic starvation and extinction. It is not the natural conditions as such that are to blame for the conversion of Cuba into a sugar cane plantation, a single-crop agriculture which stifled the country's economic development—it is the American monopolies. Again, it is not the "production factors" and not the "comparative production costs" that are responsible for the conversion of the Latin American countries into coffee and fruit plantations of the U.S. monopolies, into suppliers of tin, copper, nitrates and oil at monopoly-low prices.

The exploiting essence of the contemporary international division of labour glaringly stands out when we analyse data on production costs and the new value created in the agricultural and industrial countries.

In 1955, the value of the raw materials and fuel consumed by the manufacturing industry (without food industry) in the agricultural countries amounted to $11,900 million. In the course of the industrial processing of these raw materials and fuel on the spot new value was created amounting to $ 13,000 million. Thus, the relation of the new value to the value of the consumed raw materials and fuel was 1.1 : 1.0.

In the same year, the developed capitalist countries processed raw materials and fuel valued at $ 36,500 million and during their industrial processing created new value to the tune of $ 170,000 million. The relation of the new value to the value of the consumed raw materials and fuel was 4.7 : 1.0; it was 4.2 times higher than in the less developed countries.[31]

Such are the objective statistics which reveal the true worth of the theory of "comparative production costs" and "production factors".

The concept of a "balanced economy" is another widespread theory directed against the industrialisation of the developing countries. This theory is opposed to optimal growth rates of industry and above all priority development of the manufacturing industry. Behind the cover of references to the grave aftermath of colonial rule—the thing that really harasses the developing countries — the food shortage and the low level of consumption, proponents of the "balanced economy" theory suggest deliberately false methods for eliminating this aftermath. From their viewpoint, the development of industries which create the conditions for the gradual reconstruction of the economy's agricultural pattern is incompatible with the existing shortage of food resources and low consumption. The economic strategy of the "balanced economy" theorists is to direct state and private investments of the less developed countries into a channel that diverts them from building up the key industries.

The "balanced economy" theory is designed to deprive the less developed countries for a long time of their own industry—the chief element for reconstructing agriculture so that it may solve the food problem. Marxists have always opposed theories of this kind and have always believed that all countries can and must have their own highly-developed industry as the mainstay of sovereignty.

Although the rates, scale and nature of industrial development and also the share of industries manufacturing the means of production depend on the specific conditions, it is only through industrialisation that the agricultural and industrial backwardness of any country can ultimately be eliminated. The winning of political independence by the former colonial and semi-colonial peoples is only the first step to genuine independence. To win full independence, it is necessary to have a highly-developed national economy—something which is only possible through industrialisation.

[31] *Экономика капиталистических стран*, Москва, 1959, стр. 93.

The history of the capitalist countries in the West and the East demonstrates that the development of a national industry has always required state protection and, in a number of cases, large state subsidies too. The developing countries which are industrialising with the needed persistence are achieving telling results in concentrating the necessary resources in the hands of the state. The experience of India, the United Arab Republic, Indonesia, Ceylon and other countries shows that in principle it is possible to gradually increase the internal accumulation of capital. This problem can be tackled in various ways, at times contradictory, but its successful solution depends on how consistent a government's industrial policy is, how actively the government intervenes in regulating private, and particularly private foreign, accumulation so as to redistribute it in favour of state enterprise. Solution of the accumulation problem depends on how actively the government restricts and nationalises private foreign property and employs it for accelerating accumulation to build a national industrial economy, and how radically it restricts and abolishes semi-feudal landownership and the accumulation of capital by traders and money-lenders in the countryside. These measures are being carried out differently in various countries (the United Arab Republic, India, Indonesia, Ceylon, Burma) and therefore the results differ.

The experience gained by the Soviet Union is of great importance in establishing the relation of internal and foreign resources. The history of the U.S.S.R. shows that the principal and decisive prerequisite of industrial development is the mobilisation of internal resources. As is known, the Soviet Union managed without foreign assistance, by itself, to overcome all the obstacles in its path. It had to do so not because it did not want foreign help but because no one wanted to render it.

The economically backward countries which remain within the world capitalist economy naturally have fewer opportunities to accelerate internal accumulation for industrialisation purposes as compared with the developing countries which have embarked or are embarking on the non-capitalist road. This is understandable. Private accumulation prevails in the first group of countries. In the second group, private, feudal and capitalist accumulation is being ousted or has already been abolished.

But even the economically backward countries remaining within the capitalist system have wider possibilities for internal capital accumulation than in the past. This is because they are free from colonial dependence and are able more efficiently, at their own discretion, to utilise national resources, however small they might be at first as compared with the tasks confronting these countries. Now that two world systems are competing the entire problem of foreign eco-

nomic aid inevitably appears in a fundamentally different light than in the past, when only the capitalist system existed or when socialism was confined to one country. As regards the possibility of utilising foreign resources for industrial development, the newly-free countries are in a much more favourable position than the Soviet Union was in the past. These countries can now choose foreign aid, instead of having it forced upon them in circumstances created by imperialist monopoly; moreover, they can choose the kind of aid that does not entail any dependence and reinforces both the internal position and the political sovereignty of a country.

Two different approaches to the problem of aid to economically backward countries exist in the world today. The Soviet Union and the other socialist states want their economic and technical assistance to accelerate the development of the former colonies and semi-colonies, and to strengthen their national independence. On the other hand, the West often uses aid as a means of promoting the interests of monopoly capital and exerting pressure on the policies of the developing countries.

The sovereign Eastern countries have displayed an ability to mobilise internal resources for industrialisation. U.N. statistics show that in these countries of Asia and the Far East (excluding Japan) producer goods industries have been developing at a much faster pace than consumer goods industries. With 1953 as 100, the output of the metalworking industry in 1960 was 328, metallurgical industry 224, food industry 154 and textile industry 224. It is interesting to note that figures for the United States and Canada during the same period were as follows: metalworking industry 109, metallurgical 92, food 121, and textiles 109.[32]

If we take a longer period of 16 years (1948-1963), the faster industrial growth rates in the Southeast Asian countries (excluding Japan) as compared with the rest of the capitalist world also stand out (Table 23).

Thus, the abolition of imperialism's political domination and the undermining of its economic monopoly have enabled the developing countries to get on with their industrialisation. The initial period is naturally marked by relatively high industrial growth rates. Greater output of the main industrial goods in the less developed Asian countries facilitates the increase of accumulations as well.

The potential accumulation sources in the liberated Asian countries are quite high, reaching approximately 20-25 per cent of the national income. Given certain social conditions, this share could become a real source of accumulation without reducing the people's present level of consumption. The latter point is usually raised by

[32] *Monthly Bulletin of Statistics*, May 1961.

Table 23

Growth of Industrial Output (Manufacturing Industry) in 1948-1963 (per cent)*

	All industries	Of which				
		metalworking	metallurgy	chemicals	textiles	food
All capitalist countries	122.6	163.6	77.6	240.0	65.3	77.9
Including:						
U.S.A. and Canada	79.7	113.6	22.6	182.7	31.2	47.5
West European countries	162.7	200.0	152.0	315.5	68.8	120.0
Southeast Asian countries (excluding Japan). . . .	216.3	582.1	321.8	145.6	137.0	116.9

* Source: *Monthly Bulletin of Statistics*, November 1964.

Western bourgeois economists the moment the question of concentrating resources on industrialisation is mentioned.

Let us take India on the eve of the First Plan (1950/1951). At that time, the propertied classes (rentiers, landowners, money-lenders, merchants and capitalists), making up 1.8 per cent of the able-bodied population, received 23 per cent of the country's national income. The incomes of the landowners and the money-lenders amounted to 65.5 per cent of all the incomes of the propertied classes.[33] In other words, two-thirds of the incomes of the propertied classes came from exploiting the people by semi-feudal methods. As pointed out in the *AICC Economic Review*, only a small part of the accumulations from landownership and money-lending is invested productively. A considerable part of these incomes is hoarded or squandered by the feudal elements and is lost for the country's economic growth.[34]

India, according to the estimates of her economists, possesses a potential economic surplus in the form of incomes of feudal and semi-feudal landowners and money-lenders. Their use for the needs of the nation, given corresponding social reforms, could double and even treble the present volume of capital accumulation without reducing the people's level of consumption.

Here are data on the share of total capital investments in the value of the gross national product in industrially developed and economically backward countries (percentage): [35]

[33] *AICC Economic Review*, New Delhi, No. 1, 1956.

[34] *Ibid.*

[35] *U.N. Statistical Yearbook 1959*, New York, 1959, pp. 452-453; *Yearbook of National Accounts Statistics, 1960*, New York, 1961, pp. 251-281; *Monthly Bulletin of Statistics*, July 1960, May 1961; *Economic Survey of Asia and the Far East*, 1961, p. 129.— In the case of India, average figures for 1950/51-1955/56 and for 1956/57-1960/61 are given.

	1950	1959
United States . .	18	17
Britain	13	16
France	16	19
West Germany .	19	23
India	6	10
Pakistan.	6	8
Burma	10	19
Ceylon	9	13
Philippines	7	8
Thailand	13	15

If we turn to the composition of capital investments, here too the share of industry and transport noticeably increased in total investments. In India, it amounted to 37 per cent in 1950, and 50 per cent in 1959; in Pakistan, 46 and 58 per cent respectively; Burma, 17 and 39 per cent; Ceylon, 27 and 28 per cent; the Philippines, 28 and 49 per cent.[36]

State investments, it should be noted, play an increasing part in the economic development of the newly-free countries. In most of them the state is accumulating ever greater financial resources and trying to invest them in the producer goods industries. This is shown by the increase in the share of state investments in the gross national product (percentage):

	1950	1956	1958
Burma	3.5	10.4	10.4
Ceylon	6.3	8.3	8.4
Malaya	1.9	2.8	—
India	2.7	6.1	7.1
Indonesia	2.7	2.0	1.7
Pakistan	1.7	2.5	4.8
Philippines . . .	3.2	2.8	2.1
Thailand	2.1	2.3	3.2

In a number of countries the state is becoming dominant in total national investments. The following figures show the growth of state investments in total national investments (percentage): [37]

	1950	1958
Burma	34	48
Ceylon	70	72
Malaya	38	28
India	60	71
Indonesia.	28	37

The share of the national income going for investment is thus gradually increasing in the developing countries. Despite the pessimism of the ideologists of colonialism, it may be asserted that the

[36] Cf. *U. N. Statistical Yearbook 1959.*
[37] *Economic Survey of Asia and the Far East*, 1961, p. 71.

industrial development of the newly-independent countries, in contrast to the colonial period, is marked by a number of new factors. Their position in the world economy is increasingly influenced by the scale, composition and direction of their internal investments in industrialisation and also the scale, composition and direction of their foreign economic relations with the world socialist economy.[38]

Bourgeois economists as a rule take an abstract approach to the question of industrialising the less developed countries. The main fallacy in their concepts relating to this intricate problem is that they consider industrialisation in isolation from the urgent need and historical inevitability of deep-going social changes as a prerequisite for this process.

It is sufficient to peruse the works of Walt Rostow, Chester Bowles, J. Galbraith and others on problems of economic growth in the less developed countries to see that they, like hundreds of others, are caught in a vicious circle of alternatives: where to begin industrialisation — in industry or agriculture, whether to promote the crafts or the building of factories? If industry should be the start, what industry should be chosen, heavy or light? Should industrialisation aim to save the outlay of low-productive labour in countries where a tremendous part of the able-bodied population is idle, or should it be started so as to preserve the low productivity of labour but provide employment to the biggest possible number of the unoccupied population? To industrialise under state guidance or to sponsor the unlimited domination of private enterprise? Hundreds of such questions arise, which cannot be solved outside the historical connection with the goal pursued, in isolation from the people's social and class struggle. These questions are dragged in simply to submerge in abstract, pseudo-scientific arguments the real and profoundly important aims of economic and technical changes in the developing countries.

It is no accident that all bourgeois economists without exception avoid mention of the prime requisite for the industrial progress of a newly-free country, namely, the elimination of the domination of foreign capital or the breaking of its hold on key positions in the economy. They always focus their studies on the problem of investment and the role of foreign aid and investments. Yet, an unbiased and conscientious scholar must admit that genuine industrialisation, real industrial and agricultural progress of a former colony, is closely bound up with the way of development, the direction of socio-economic evolution chosen by a country; it also depends on what class

[38] A U.S. Congress document admits that today the process of industrialisation is extending to Asia and even to Africa; there is no doubt that certain economic development will take place in these areas irrespective of whether the United States participates in it or not (cf. *U.S. Foreign Aid. Its Purposes, Scope, Administration and Related Information*, Washington, June 11, 1959, p. 85).

or bloc of class forces makes this choice. The solution of any problem hinges on this—above all, on the nature of the state, and the relevant questions: sources and scale of accumulation, composition of the national income, industrial policy, pace of industrialisation, attitude to foreign capital and foreign aid, and so on. The "investment potential", a favourite subject with bourgeois researchers who usually give it arbitrary treatment, also depends on the main question—the road of social development taken by a country.

Experience shows that if a former colony continues to remain in the world capitalist economy and does not oust foreign capital, the parasitic forms of landownership and commercial and usurer's capital, the accumulation sources for its industrialisation will be: for building a state sector—growing direct and especially indirect taxation of the working majority of the people; for expanding the private sector—growing appropriation of the surplus product by the upper crust of the national bourgeoisie through more intensive exploitation of the working class and the peasants. This is the capitalist way.

The development of India and some other Asian countries follows this pattern based on a compromise made by the national bourgeoisie, which came to power, with foreign capital and the big landowners, the national bourgeoisie playing the dominant role. Most of these countries adhere to the policy of non-alignment in aggressive blocs, which considerably helps their industrial development. A peaceable and, consequently, progressive foreign policy favourably affects the home policy. In some Asian countries the economic compromise with foreign capital has strengthened the latter's role and importance and it actually dominates their economies and their economic relations with other countries. Moreover, the reactionary foreign policy course imposed by the imperialists has driven them into aggressive military and political blocs.

But in recent years, as the national-liberation movement has expanded, there have appeared new national states in Asia and Africa led by revolutionary, national-democratic, anti-capitalist elements. They reject both in theory and in practice—in their governmental policy—the capitalist way of development. Although in the present transition period these countries remain in the world capitalist market with all the ensuing consequences, their internal development, accompanied by quite deep anti-imperialist, anti-feudal and at times also anti-capitalist reforms, is gradually shifting onto the non-capitalist road. These countries apparently include Burma, the United Arab Republic, Algeria, Ghana and Guinea.

An abstract approach to industrialisation of the less developed countries, without regard for their past, solely on the basis of the laws operating in the Western capitalist states and their experience, is clearly unacceptable. The industrialisation of the advanced capitalist countries proceeded in fundamentally different conditi-

ons. It took hundreds of years and was marked by great diversity. In Britain, it was very different from that in the United States, in France different from that in Germany; in Japan different from that in Australia; in Italy different from that in pre-revolutionary Russia; in Germany different from that in Sweden, and so on and so forth.

But capitalist industrialisation is not the only way. Industrialisation in the Soviet Union and the other socialist countries suggests new trends for the industrialisation of the newly-free countries. However hard bourgeois economists try to reduce them to the trends which determined the industrialisation of the Western countries, the industrialisation of many developing countries which have not yet taken the socialist road is proceeding along the anti-imperialist, anti-colonialist and, in a number of cases, anti-capitalist lines. And this is the main thing, because this predetermines the basic question, the nature of power and the state, the way of social development—the question so assiduously evaded by bourgeois economists and politicians.

The solution of socio-economic problems is playing and will play a prime part in the success of the industrialisation policy. Proper industrialisation calls for a land and water reform, abolition of feudal and semi-feudal parasitic consumption, money-lending and rapacious commercial capital, the gradual ousting of private foreign capital and restriction of big national capital, and a rise in the people's living standards.

Industrialisation in the less developed countries cannot proceed in isolation from the national-liberation movement and the class struggle of the working people. The national bourgeoisie, as a rule, favour industrialisation at the cost of greatly intensifying exploitation and refuse to sacrifice their bigger profits for this purpose. Their representatives in the government defend the incomes of the semi-feudal groups too. Industrialisation naturally exacerbates relations between the national bourgeoisie and the working class, and also between the national bourgeoisie and the entire people. The national bourgeoisie in a number of countries do not resolutely support the nationalisation of the property of the foreign monopolies, they make concessions to private foreign enterprise and the local landowners, which intensifies the popular struggle against imperialism and feudalism and increases resistance to the national bourgeoisie's policy.

In most developing countries the national bourgeoisie do not venture to carry out radical land reforms. But realising that to industrialise it is necessary to expand the home market, they effect limited land reforms which in one way or another are sabotaged by the landowners. These reforms do not abolish the landed estates, do not turn over the land to the peasants, but introduce new forms of capitalist exploitation in the countryside, reinforce the position of

the rich peasants and intensify the differentiation among the peasants. This aggravates the class struggle in the countryside.

Thus, in building up a national economy the class struggle spreads along all the main lines. Capitalist industrialisation on an independent national basis is progressive as compared with colonial slavery. But this is industrialisation at the expense of the people who increasingly realise the situation. The growing proletariat, supporting the national policy of industrialisation, seeks to rally all progressive forces to secure national economic independence and ultimately to take a fundamentally new, different, non-capitalist road.

* * *

When they examine ways of industrial development for the lagging countries the theorists and directors of U.S. neo-colonialist policy proceed from the supposedly progressive effect of private U. S. capital which flows into foreign economies.

Hence, when we discuss the industrialisation of the less developed countries we should analyse the role of private foreign capital, its contradictions with the national states and the new conditions in which it has to operate.

While 50 per cent of the total sum of U. S. private investments in the economically developed countries was channeled chiefly into the manufacturing and heavy industries, the bulk of the investments in the less developed countries, on the contrary, went into the extractive industry. Yet it is the development of the manufacturing industry that is needed most of all.

The obstacles preventing private foreign capital from flowing into manufacturing are possible nationalisation, the constant anxiety over the future of the private-capitalist sector, a smaller rate of profit in producer goods industries (except the extractive industry) and particularly in branches (metallurgy, engineering) which most of all need investments. It is pointed out in a study of the flow of private capital that private investors favour the more developed areas and ignore the backward areas, unless nature happens to endow them with oil or raw materials.[39]

The "selective method" employed by the monopolies in investing capital comes from differences in the so-called investment climate in the developing countries.

Loans granted to less developed countries by the U.S.A. or by international financial organisations, while increasing their payment potentialities for a time, to some extent objectively lessen the interest of these countries in attracting solely private U.S. capital.

[39] *International Flow of Private Capital 1956-1958*, New York, 1959.

At times, this situation even arouses certain dissatisfaction among the U.S. monopolists.

Since late 1958, U.S. ruling circles have been conducting a campaign to stimulate the export of private American capital to Southeast Asia so as to consolidate ties with the national bourgeoisie there. Since private U.S. capital has so far been timid in the economy of India, Burma, Indonesia, Pakistan, Thailand and other countries, its participation in their emerging manufacturing industry has been quite insignificant.

The ground is now being prepared for a new industrywise direction of American investments in the less-developed countries. Without this, private American enterprise cannot expect to cope with the tasks assigned to it in Washington's foreign policy in Asia. Hence, a search is under way for new tactics in economic relations with the developing countries.

In 1958, the United States set up a state fund for guaranteeing investments in the less developed countries. In 1957, a special office for private investment was established under the Development Loan Fund. The task of the office is to promote the stability of U.S. investments in "politically unstable" areas by mixing American with local capital. Through the D.L.F., the U.S. Government covers up to 50 per cent of the outlays for exploratory work by the monopolies in Asia.

In their turn, spokesmen of the private sector in India and some other developing countries in Southeast Asia press their governments to stimulate the interest of private foreign investors. The report of the Indian industrial delegation, headed by the big businessman G. D. Birla, who visited the United States, France, Canada, rit-

ain and West Germany at the end of 1957, pointed out that in the investor countries the opinion was widespread that high taxation was being employed as an instrument for stifling the private sector to such an extent that eventually it could be nationalised without the payment of big redemption.[40] These apprehensions increased after the introduction of the fourth amendment to the Indian Constitution in connection with the redemption of the land of the big landowners and after the nationalisation of the insurance companies.[41]

The taxation policy of the Indian Government has been strongly criticised in the United States: the "excessive" interference of the government in economic life has been condemned and dissatisfaction expressed with the labour conflicts, double taxation, establishment of a special tax on wealth and on superprofits. There have

[40] *Report of the Industrial Delegation to the Federation of the Indian Chambers of Commerce and Industry*, New Delhi, 1958, App. 1, pp. 4-5.

[41] Under this amendment, compensation for nationalisation of property in all cases is determined only by the Indian Parliament and cannot be judicially challenged.

also been complaints about tardiness in the examination of projects, delays in granting entrance visas and surprise at anti-American statements by certain leaders.

The Federation of the Indian Chambers of Commerce and Industry has advised the government to repeal the wealth tax, to ban strikes, to cut taxes on superprofits and provide guarantees against nationalisation.

In 1957-1959, the ruling circles of India, Burma and some other countries, under the pressure of influential bourgeois circles who wanted to collaborate with foreign capital, took a number of steps facilitating the faster growth of private foreign investment in their countries.

In 1957, private investors in India were granted the right to convert their capital and profits into dollars for transfer abroad. In 1958, a guarantee against nationalisation of private foreign investments was proclaimed. In the same year, private foreign capital was allowed into some industries (aluminium, mineral fertiliser, engineering, etc.) formerly reserved by law for the state sector. In 1959, an India-U.S. agreement repealing double taxation was signed. With the permission of the Indian authorities, in 1960 the United States organised the Indian Investment Centre in Delhi to stimulate industrial development through foreign investments and the provision of technical know-how.[42]

During a visit to the United States India's former Finance Minister Morarji Desai had sufficient grounds for saying: "I don't know what more we can do to assure your investors that their money would be safe and secure in India."[43]

All these measures to stimulate the influx of private foreign capital to different industrial branches—to manufacturing, too—together with the bigger inter-government loans, have to a certain extent increased American influence in the economy of the less developed countries. Since the upper sections of the national bourgeoisie and part of officialdom, feudal, semi-feudal and compradore elements connected with them, stand for a rapprochement with the West, the new tendencies to foreign monopoly penetration in the neutral countries and the pressure on the policy of their ruling circles are fraught with dangers to the independence of the newly-free countries.

But the contradictions between the national bourgeoisie of the developing countries and Western monopoly capital, between the interests of building an independent national economy and the exploiting interests of the imperialist powers remain deep, and at present no ways for reconciling them have been found. On the whole,

[42] *Investing in India*, Indian Investment Centre, New Delhi, 1962.
[43] *Times of India*, October 8, 1959.

these contradictions, far from being mitigated, are growing more acute.

Despite tax privileges granted to private foreign capital in certain countries, the United States and the West European imperialist powers are pressing for a radical revision of the existing laws related to taxes on foreign companies' profits. Their objective is to compel governments in Asia, Africa and Latin America to lower the profit taxation on foreign industrial companies.

In many Asian, African and Latin American countries, tax rates exceed 50 per cent of the profits of foreign corporations and they show a tendency to rise. This of course greatly displeases the foreign investors who demand a favourable climate and hold that "any level of profit taxation on industrial companies higher than about 20 or 30 per cent is likely to be a rather serious discouragement to investment, and should be reviewed carefully by a country seeking to improve its climate for private industrial investment."[44]

Table 24 gives an idea of the profit taxation on American monopolies in the developed and less developed countries.

The table shows that the lowest tax rates exist in the Central American countries, in which the U.S. corporations are real lords and masters, and also in the Middle East (Iran and Turkey) which are military allies of the United States. Countries which more or less persistently seek to strengthen their national economy and restrict the excessive profits of foreign companies preserve relatively high taxation rates.

American monopolies want to reduce the status of the neutral Asian, African and South American countries to that of the Central American countries and some U.S. allies in the Middle East.

To weaken and undermine the sovereignty of the less developed countries in the sphere of foreign taxation is a prime purpose of Washington's constant pressure exerted through so-called foreign aid. The U.S. monopolies have not managed to gain much of a success in this respect, but they have won some tax concessions in certain Asian countries in recent years. A keen struggle in this sphere continues. In a number of countries the progressive forces are out not only to increase the taxation of foreign capital, but also to fully prohibit further foreign investments (India, Indonesia, United Arab Republic, Ceylon and several Latin American countries).

The ruling circles of the less developed countries of course realise that any investment of private foreign capital eventually leads to a removal from the national economy of resources many times greater than the originally advanced sum. In five or ten years the large-scale reinvestment of profits doubles and at times trebles and

[44] M. D. Bryce, *Industrial Development. A Guide for Accelerating Economic Growth*, p. 79.

Table 24

Tax Rates on U. S. Monopolies
(percentage of taxable income)*

Asia and Africa		North, Central and South America		Western Europe	
country	percentage	country	percentage	country	percentage
Countries with a tax rate under 40 per cent					
Iran	16.0	Nicaragua	13.0	Greece	35.0
Morocco	20.0	Paraguay	19.0	West Germany	40.0
Turkey	23.5	Ecuador	22.0		
Iraq (prior to 1958)	30.0	Salvador	24.0		
Ethiopia	31.1	Honduras	25.0		
Saudi Arabia	34.0	Panama	26.0		
Lebanon	30.0-35.0	Costa Rica	27.0		
South African Union	37.5	Cuba (prior to 1959)	31.9		
Sudan	40.0	Dominican Republic	32.1		
		Guatemala	35.0		
		Haiti	35.5		
		Venezuela	37.5		
Countries with a tax rate over 40 per cent					
Philippines	41.2	Brazil	42.0	Austria	40.8
Ghana	45.0	Canada	43.0	Italy	41.1
Nigeria	45.0	Chile	44.0	Belgium	45.2
Japan	52.0	Mexico	46.6	Britain	45.5
Ceylon	57.7	Peru	45.0	Netherlands	46.5
India	58.0	Colombia	45.2	Norway	47.5
Pakistan	64.2	Argentina	48.5	Sweden	48.4
Burma	69.4	Bolivia	52.0	France	53.7
		Uruguay	75.0		

* Source: M. D. Bryce, *Industrial Development...*, p. 80.

quadruples the amount of the originally invested capital. This involves the swift rise of foreign indebtedness, which becomes a heavy burden for the country concerned. But awareness of the adverse economic consequences resulting from the influx of foreign private capital does not preclude a desire by the ruling circles to find ways for mitigating the sharp foreign-exchange crisis by attracting private foreign capital. This is a manifestation of the national bourgeoisie's dual, contradictory attitude toward private foreign capital.

There is a mistaken idea about the consequences which follow from the influx of private foreign capital into a less developed country. Usually Western economists endeavour to prove that private foreign investments do not impose on a country any obligations associated with repaying the invested capital—in contradistinction to inter-government loans which are redeemed in full in a certain period and carry a definite interest charge.

Usually loans on a government-to-government basis, used for building some state enterprises, have to be repaid at definite preset dates. But in the case of private investments the state is obliged steadily to provide convertible currency for the repatriation of the profits and the capital of private investors. These profits are a direct deduction from the national income. After the furnished capital is recouped subsequent profits of the private investors damage the economy of a developing country.

Nor is the situation changed by a partial reinvestment of profits on the spot. In addition to increasing the sums pumped out, this leads to excessive concentration of production and capital in the hands of foreign monopolies, which becomes dangerous for a less developed country. Those who claim that private investment should be given preference over inter-government loans on the grounds that the latter have to be redeemed, while private investments supposedly do not require it, forget that private investors usually have the right to complete repatriation of the entire capital in convertible currency at any time, or the right to full redemption at the market value in case of nationalisation.

The annual transfer abroad of profits of private foreign investors in almost all developing countries as a rule exceeds the new influx of private foreign capital. *Le Monde* has published figure showing that all private foreign investments in the less developed countries amounted to $ 2,700 million in 1961, or 8 per cent more than in 1960. "A considerable part," the paper wrote, "is the reinvestment of profits and not the influx of fresh capital. The export of dividends and interest on the invested capital to the industrial countries is very high; at times it exceeds the sum of new investments." [45]

The result is that the balance of private investment is becoming increasingly unfavourable. The annual transfer of profits on foreign investments usually ranges from 8 to 15 per cent of the invested capital, which is from 2 to 4 times higher than the usual interest on loans extended by the developed capitalist states, and from 4 to 6 times greater than the interest on loans given by the socialist countries.

The influx of private foreign capital in the long run causes a serious outflow of accumulations from the less developed countries; it is usually associated with a chronic deficit in their balance of payments and consequently retards industrialisation on a national basis.

[45] *Le Monde*, August 2, 1962.

Some bourgeois ideologists who are opposed to inter-government loans and favour private investment, claim that in contrast to the former, private capital carries no political strings. Yet the history of Latin America, the Middle East, Southeast Asia and the Far East furnishes many examples of foreign monopolies exerting or seeking to exert political pressure through their governments on the less developed countries. Suffice it to recall the events triggered off by the nationalisation of the Suez Canal when the military intervention of three states was most intimately linked with the attempts to protect the imperialist interests of the monopolies. American intervention in Guatemala and Cuba convincingly demonstrates the organic ties between the interests of the imperialist state and the private monopolies. The policy of the United States in Iran strikingly reflects the interests of the international oil consortium.

The question of attracting private foreign investments for accelerating industrial growth should be examined in the light of the actual changes which have occurred as a result of the conversion of the colonies into sovereign states. In the principal Asian countries, these changes with regard to the operation of private foreign capital have been mainly as follows:

in many countries national capital has taken a more or less dominant position, and this determines the economic policy of the state;

a state sector of the economy is emerging in all the developing countries, which to a certain extent is restricting the sphere of operation of private capital;

branches of the infrastructure which were formerly the monopoly possession of private foreign capital and the colonial authorities have become the property of the national state, which fact is also restricting the sphere of operation of private capital;

under pressure of the people and in their interests, the ruling circles of neutral countries have to some extent nationalised foreign property, limited the profit exports and repatriation of capital and, in many cases, also set a maximum limit (49 per cent) to the share of foreign capital in mixed companies;

greater government control has been instituted over the use of raw material and manpower resources, the industrywise distribution of private capital, the operation of enterprises and the reinvestment of profits;

the operation of private foreign capital in the currency and banking system, trade and insurance is often prohibited;

the participation of private foreign capital in key industries, including the war industry, is often prohibited;

customs protection of national industry has been introduced and it is also given privileges in credits, the allotment of foreign exchange and investments;

taxation of profits and superprofits of private foreign capital and incomes of foreigners has substantially risen;

governments want foreign capital to organise a complete manufacturing cycle and as a rule seldom agree to the establishment of assembly production from imported parts;

foreign investments in the state sector of a developing country do not give investors the right to ownership of the new enterprises or to their management;

foreign investments in the private sector, guaranteed by the governments of the developing countries, also do not give the right to ownership or to management of the newly-built enterprises.

All these new conditions in sovereign states are a result of the national-liberation struggle against imperialism. But now, too, the problem of nationalisation of foreign property remains in the forefront of the internal political struggle. The right to nationalisation, which the colonies naturally did not have but which is now recorded in the constitutions of the newly-sovereign states, has already been exercised in some of them; it is a potential threat to foreign capital in others, and is restraining the expansion of foreign capital even when the latter gets temporary guarantees against nationalisation.

When considering foreign investments in the economy of developing countries we must bear in mind the type of country, on what terms foreign capital operates in it, in what branches it is invested, the type of capital (state or private) attracted and what type of state controls it. The relations of a country with the socialist and the capitalist system and its foreign and home policy are of great significance. Bourgeois economic theory presents the question differently. It regards as beneficial any private foreign capital activity, regardless of the historical situation. It considers foreign investment a means of progress, although for foreign capital to really promote industrialisation it is necessary to change not only the *form* of economic relations between the developed capitalist states and the economically backward countries (though this is very important), but also their *essence*. And in essence these relations remain unchanged—the striving of foreign capital to subject the less developed countries to super-exploitation.

Neo-colonialist theorists maintain that private investment always accelerates the growth of the productive forces in less developed countries. This is a true statement of fact but there is nothing new about it. As Lenin pointed out, "the export of capital affects and greatly accelerates the development of capitalism in those countries to which it is exported." [46]

But the neo-colonialists ignore the fact that the development of capitalism in the economically backward countries today, when

[46] В. И. Ленин, *Полное собрание сочинений*, изд. 5, т. 27, стр 362.

they have the practical opportunity of taking the non-capitalist road, can no longer be considered progress as was the case 50 years ago.

To industrialise the developing countries and to step up the processes of accumulation and the technical and economic reconstruction of their entire economy it is no longer necessary to resort to the capitalist way of solving these problems and to give private foreign capital unlimited scope for operation. While capitalist methods of industrialisation are now being applied in the less developed countries with considerable restriction and some ousting of private foreign capital, socialist industrialisation will oust and abolish it altogether.

CHAPTER V

THE EUROPEAN COMMON MARKET AS A NEW FORM OF COLONIALISM

"Economic integration" processes have been under way in Western Europe in recent years. As a result, it has been divided into two separate economic groups: the European Economic Community (E.E.C.) or, as it is also known, the Common Market, or the Six (France, West Germany, Italy, Belgium, Netherlands and Luxemburg), and the European Free Trade Association (EFTA), or the Seven (Britain, Denmark, Austria, Norway, Switzerland, Portugal and Sweden).

The emergence of these trade blocs attests to the aggravation of the struggle between the imperialist powers for new export markets and the redivision of the old ones. The levelling of customs tariffs within these groups, on the one hand, and increased discrimination in duties against non-member countries, on the other, have intensified the struggle between the Six and the Seven. Yielding to the pressure of the United States which wants to lay an economic foundation under NATO and considering that the industrial and trade expansion of the Common Market would lead to West German hegemony in Western Europe, Britain and, following her, the other EFTA members, tried to join the E.E.C. These attempts have been frustrated by France, after which the struggle between the two trade blocs flared up with renewed force.

The Programme of the C.P.S.U. points out that the international state-monopoly organisations springing up under the motto of "integration", the mitigation of the market problem, are in reality new forms of the redivision of the world capitalist market and are becoming seats of acute strain and conflict.

Collective colonialism headed by the United States is increasingly backed by the resources of West European capitalist states, West Germany especially. Between 1951 and 1955 the Federal Republic itself was getting state subsidies from across the Atlantic of some $ 62 million and its net annual export of capital was only $ 98 million, but between 1956 and 1959 it began to grant state subsidies to other countries, chiefly less developed, amounting on the average to $ 368 million annually; its exports of long-term state,

banking and private capital reached $782 million. [1] Thus, West Germany, under U.S. patronage, has become a major capital-exporting country which is increasingly incorporating its growing economic potential in European integration and the system of collective colonialism. This naturally alters the balance of forces between the colonialists and aggravates contradictions.

The Common Market is now a very active economic and political organisation of monopoly capital. It is acquiring prime importance in resisting, together with the United States, the efforts of the developing countries to achieve economic independence in the shortest time possible.

The desire of the neo-colonialists to widen the economic gulf between the two world social systems and to disorganise foreign economic ties of the socialist countries is combined with an intensified economic and political drive against the independent development of the young sovereign states and against their relations with the socialist world. Jacques Lefevre from the overseas territories department of the E.E.C., has very distinctly voiced the apprehensions in face of the growing ties of the developing countries with the socialist community. He stated: "The contemporary political situation is determined by two basic problems: coexistence of the free world with communism, on the one hand, and progress of countries in the process of development.... The history of recent years shows that while the choice of the less developed countries in favour of one or the other system has not yet been made, nevertheless a strong gravitation towards communism is observed in some areas of the world, and it is drawing in an ever greater number of countries." [2]

It is beyond doubt that the attempt to tie the economically backward Asian and African countries of the British Commonwealth to the E.E.C., just as the "association" of almost all the former French African colonies with it, aims above all to keep these countries within the capitalist system and continue their exploitation. It is this purpose that is served by the joint provision of capital to less developed countries, increasingly practised by the imperialists under the guise of national or international aid. They are forcing their capital on these countries in order to build up the infrastructure (communications, ports, airfields, power stations, etc.) needed by European and American imperialism. All this is done in the economic, political and, what is particularly important, military interests of integrated capitalism.

Some of the main stages in building up refurbished colonialism are the establishment of the NATO, SEATO and CENTO military-

[1] *U.N. International Flow of Long-Term Capital and Official Donations, 1951-1959*, New York, 1961, p. 6.

[2] *L'originalité de l'apport européen au progrès économique et social des pays en voie de développement*, Brussels, 1961, p. 17.

political blocs, the revitalised and refashioned American policy of military and economic aid to foreign states and, lastly, the formation of the Common Market, Eurafrica and the system of countries associated with the Common Market.

The idea of organising a "union of capitalist states" is not fundamentally new. In his well-known article *The United States of Europe Slogan*, written in 1915, Lenin pointed out that the unification of the capitalist states in Europe had the purpose of "jointly suppressing socialism in Europe, of jointly protecting colonial booty". [3]

The economic integration of Western Europe is of considerable political and economic interest to American imperialism. Standing at the head of all the aggressive military-political alliances, the United States has the following aims:

to bring closer together the economies of members of military blocs so as to pool their material resources for struggle against the world socialist system;

to give a fresh impetus to the neo-colonialist policy in Asian, African and Latin American countries and to slow down their independent economic development;

to isolate the socialist world from the other countries by a wall of military-political and also economic blocs and sever or reduce contacts between the socialist community and the less developed countries.

The United States, together with its European partners, thus wants to lay at the basis of the contradiction-torn, aggressive NATO bloc the integrated economy of imperialist Europe directing its industrial potential against world socialism and the national-liberation movement. The idea of group, collective colonialism underlies European integration. For this reason the U.S. ruling circles support the Common Market, urge Britain and its European partners to join it and advocate the idea of setting up an Atlantic economic community under U.S. leadership.

European integration is another stage in consolidating the forces of anti-communism and neo-colonialism.

The United States and its allies are banking on the imperialist integration of the entire capitalist world through the establishment of supra-national political and state formations infringing on the national sovereignty of individual countries. The political undercurrent of integration is not concealed by its sponsors. Adenauer, for example, has said that the "main aim (of the E.E.C.—*R. U.*) is to create a political community based on economic cooperation ... which will attract even the people of the East". [4] The question of the Common Market and how to tie the Eastern countries to it holds

[3] В. И. Ленин, *Полное собрание сочинений*, изд. 5, т. 26, стр. 354.

[4] *Figaro*, June 29, 1952.

a special place in the postwar relations of young sovereign states and the colonial powers. In the Common Market the newly-free people of Asia and Africa have come face to face with the entire might of collective colonialism of the imperialist powers. The change of tactical methods and forms of expansion and the utmost concealment of old, colonialist concepts has been manifested here in full measure. The principal objectives of collective colonialism include keeping control over the natural wealth of the newly-independent countries and impeding their industrial development.

The cardinal task of the integration policy is to save capitalism and to preserve colonialism in its renovated forms. But the men who sponsor and apply such a policy ignore the deep political and economic contradictions dividing the capitalist states and the factors which are constantly causing sharp clashes both among the capitalist states themselves and between them and the less developed countries. The increasingly sharper contradictions between capitalism and socialism, between the imperialist and less developed countries, between the forces of war and the forces of peace, and the preponderance of the forces of social progress over reaction, preclude the possibility of utilising the objective tendency of capitalism toward economic integration as a basis for establishing the world domination of the strongest capitalist power, the United States. "The American financial oligarchy does not have the strength or the means to implement its claims to the role of saviour of capitalism, to say nothing of its claims to world domination." [5]

There are no grounds for assuming that any further stage of capitalist integration, if it takes place in Western Europe, will bring about harmony in relations and mitigate the bitter competitive struggle at least between British capital and the French and West German monopolies. There are grounds for assuming the opposite—the inevitable intensification of this struggle, confined for the time being within "integrated" Western Europe, a struggle into which the less developed countries are being involved.

The attempts of the West German monopolies to extend their influence in Western Europe are accompanied by their desire to strengthen their positions in the markets of Asia, Africa and Latin America where until recently British, French and American capital prevailed. One of the main aims of the Common Market is to harness a number of liberated countries to the economy of the imperialist states, to perpetuate their dependence. This aim is covered up by phrases about the advantages of the duty-free sale of goods in the Common Market.

Capitalist integration, based on monopoly domination and greater non-equivalent exchange, is aggravating the economic contradictions between the developed and less developed countries. This

[5] *The Road to Communism*, Moscow, p. 186.

became fully apparent in the first years after the organisation of economic blocs in Western Europe.

The two main states of Western Europe, West Germany and Britain, which head the two economic blocs, do not basically differ in their attitude to foreign trade with the less developed countries. Both of them, as all the other imperialist powers, extract big one-sided advantages from trade with the developing countries. In addition to non-equivalent exchange these advantages are based on the widening gap between the prices of goods bought from the less developed countries and goods sold to them (Table 25).

Table 25

Value of a Unit of Exports and Imports of West Germany and Britain (1953=100)*

Year	West Germany		Britain	
	Exports	Imports	Exports	Imports
1957	103	103	110	106
1958	103	95	109	98
1959	100	91	108	97
1960	101	91	110	98
1961	102	88	111	95

* Source: *Monthly Bulletin of Statistics*, New York, March 1962.

While in the first year of the organisation of trade blocs, the price differential in the case of raw materials imported into West Germany was practically absent and in Britain it was minimal, it reached a great magnitude within five years after the Treaty of Rome had been concluded. Raw material prices went down and exporters of raw materials and food to these European countries suffered losses of approximately 15 per cent as compared with the level of prices of manufactured goods. The advantages of duty-free trade are reaped by the imperialist states, and not by the less developed countries.

That is why there are no grounds for expecting the economic integration of the European capitalist states to help normalise foreign trade with the less developed countries, stabilise raw material prices, increase the demand for natural raw materials and reduce the prices of imported manufactured goods.

The integration processes which became particularly intensive in Europe after 1957 have so far not affected, nor will they be able to affect, another factor highly dangerous for the less developed

countries, namely, the decline in the share of raw materials in world capitalist exports. While this share is gradually shrinking, the share of manufactured goods is rising. In 1950, raw materials accounted for 56.3 per cent of world exports; in 1962, their share was only 44.4 per cent, with the share of manufactured goods increasing by 11.9 per cent.

This is one of the essential processes which inflicts tremendous economic harm on the less developed countries.

In 15 years (1948-1962) the foreign trade of the industrial capitalist countries rose from $76,800 million to $193,500 million, or 2.5 times (an average annual growth rate of 8.3 per cent). During the same period the foreign trade of the less developed countries increased from $ 35,800 million to $ 58,900 million, or by 60 per cent (an average annual growth rate of 1.7 per cent, or only one-fifth of that of the industrial countries). It is indicative that after the Treaty of Rome and the formation of the E.E.C. and EFTA, the annual growth rate in the less developed countries dropped to 0.7 per cent as compared with 8.2 per cent for the industrial countries. Consequently, the development of foreign trade in the formative period of the so-called integrated European trade was even further slowed down in the developing countries: it is now only one-twelfth of that in the economically advanced states. If we take exports after 1957 we get the following picture:

Table 26

Export Trade by Groups of Countries and Trade Blocs
(million dollars)*

	1957	1962	1962, percentage of 1957
Exports of E.E.C. countries	23,200	34,200	148
Exports of EFTA countries	16,200	20,000	124
Exports of all industrially developed countries	71,700	94,000	126
Exports of all less developed countries	25,400	28,400	112
Including:			
Asia	10,900	13,000	119
Africa	4,600	5,500	120
Latin America	8,600	9,200	107

* Source: *Мировая экономика и международные отношения*, № 11, 1963, стр. 153-156.

Export trade prospects of the less developed countries, particularly in natural raw materials, are clouded by the huge growth in the manufacture and industrial consumption of synthetic materials as substitutes for natural raw materials. Over 15 years (1948-1962) the share of natural rubber in the export trade of the capitalist countries dropped from 98 per cent to 77 per cent, while the share of synthetic rubber rose from 2 to 23 per cent. The share of plant fibres decreased from 96 to 87 per cent, with an increase of synthetic fibres from 4 to 13 per cent of total exports. Still more striking changes have occurred in the export of essential oils for the cosmetics and soap industry. Here the share of natural raw materials in capitalist exports fell from 84 to 42 per cent and the share of synthetic materials rose from 16 to 58 per cent.

As a result of all these processes the developing countries find they are slowly but surely being ousted from the positions they held in world trade. In 15 years (1948-1962) the share of the less developed countries in the export trade of the capitalist world declined from 32.1 to 23.2 per cent and in imports from 31.5 per cent to 23.5 per cent, with a corresponding rise in the share of the industrial capitalist countries.

The troubles now facing the less developed countries in world trade are without precedent. Having turned the Asian and African countries into suppliers of cheap raw materials produced chiefly in precapitalist conditions and having made huge profits on this, imperialism is now replacing these raw materials by others produced by modern capitalist methods. Thus, the former colonial suppliers are being put into ever more disadvantageous and difficult conditions, and so forced to sell their goods at extremely low prices.

Let us examine this question in the context of the distribution of world exports of food, farm and mineral raw materials and fuel during the first four years after the signing of the Treaty of Rome (Table 27).

Table 27

Exports into Industrial Countries from the Less Developed and Industrial Countries
(thousand million rubles)*

	From less developed countries					From industrial countries				
	Total exports	Food	Agricultural commodities	Ores and metals	Fuel	Total exports	Food	Agricultural commodities	Ores and metals	Fuel
1958	19.98	8.26	3.39	2.01	4.67	40.60	7.25	4.02	5.06	2.66
1961	21.47	7.92	4.72	2.70	5.48	56.87	8.89	5.50	7.40	2.84
1961, percentage of 1958	112.5	96	137	135	117	140	122	137	148	107

* Source: *Мировая экономика и международные отношения*, № 11, 1963, стр. 154.

Thus, if we exclude fuel (oil) we find that the industrial countries, expanding the exports of their goods at rates many times faster than the less developed countries, are now already getting most of the food and plant and mineral raw materials they need from similarly industrially developed countries, and not from their former colonies and semi-colonies. It is this that enables them to pursue a policy of trade blocs of industrially developed countries against the less developed, worsening the terms of trade, discriminating against them in the world market, and increasing and consolidating non-equivalent exchange.

Trade blocs of the industrial countries entail particularly grave consequences for the developing countries.

Integration by the American and West European monopolies has brought about the growing non-equivalent trade and the widening price gap, the drop in the share of plant and mineral raw materials in the world export trade, and lastly, the sharp lag in foreign commerce of the less developed countries as compared with the industrial countries, which drastically reduces their share in world capitalist trade.

The European Economic Community, which presents a big demand for industrial raw materials, will increasingly impede the diversification of the single-crop agriculture in the less developed countries. The E.E.C. is interested in the lowest prices of raw materials, and this is facilitated by the concentration of agriculture in Asian or African countries on the growing of one or very few crops.

The nature of imperialism remains unaltered whether it is cloaked in national or supra-national, "integrated" garb. But the danger from neo-colonialism undoubtedly rises as a result of any association of the monopolies, all the more if it is on the scale of Western Europe.

There are no grounds whatsoever for assuming that the parasitic essence of foreign monopoly capital will vanish and the exploitation of the less developed countries will be lessened because it will be done not separately by British, French or West German monopolies but by combined European monopoly capital. Since the European Common Market has been conceived and organised as an autarchic group, isolated and separated by high customs walls from all other states, it cannot offer the less developed Asian and African countries the main thing they need—equal economic relations without any discrimination. As was to be expected, the renunciation of protectionism within the European Economic Community is played up as "free trade", as "liberalisation of world economic ties", as "transformation of the capitalist market", which all less developed countries are invited to join. In this connection it is in place to recall Lenin's statement that free trade" is as utterly false and as much a screen for capitalist deceit, violence and

exploitation as the other liberties proclaimed and practised by the bourgeoisie." [6]

What freedom of economic relations can there be between the imperialist and the less developed countries within the framework of the world capitalist economy, if in 1960 the advanced countries produced 86.9 per cent of the total industrial output of the capitalist world and the less developed, 13.1 per cent? The share of the first group in the extractive industry of the capitalist world was 64.3 per cent and the share of the second, 35.7 per cent, and in the manufacturing industry, 11 and 89 per cent respectively. [7] The United States and the West European capitalist countries are trying to preserve and increase the concentration of the Asian, African and Latin American countries on the production of raw materials. This can be seen from the fact that their share in the manufacturing industry of the capitalist world rose between 1948 and 1960 (i. e., years of independent existence for many of them) only by 1.2 per cent, while their share in the extractive industry rose by 13.1 per cent.

Some representatives of the national bourgeoisie at times cherish the illusion that European economic integration will inevitably increase competition between the West European and the U.S. monopolies for the earliest industrialisation of the less developed countries. But when American imperialism is supporting European integration and planning it on a global scale, it primarily looks upon it as a means for reinforcing capitalism in the struggle against socialism and against the independent economic development of Asia and Africa. This naturally does not preclude more or less serious contradictions as regards practical problems of the advance of the developing countries and the participation of individual monopolies in financing or rendering technical assistance in the construction of various projects in the former colonies and semi-colonies. But, on the whole, the tendency towards economic integration means that the national bourgeoisie of the Afro-Asian countries have less chance for utilising inter-imperialist contradictions to promote industrialisation and eliminate the raw material trend of their economies.

When selling their goods in the Common Market the less developed countries of Asia and Africa have to surmount high discriminatory tariff barriers affecting approximately one-fifth of their exports. Should the Six and Seven unite, over three-fifths of the exports of the developing countries would be subject to high customs duties. Britain's adherence to the Common Market in any form would bring about the establishment of high customs duties on traditional Asian and African exports. This would increase com-

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[6] В. И. Ленин, *Сочинения*, т. 41, изд. 5, стр. 108.
[7] *Monthly Bulletin of Statistics*, November 1961.

petition in the markets of tea, jute, textiles, hides, leather, vegetable oil and butter, coffee, cocoa, grain, tin, zinc, aluminum and many other commodities.

Let us take India, one of the more developed Asian countries, and see what its possible foreign-exchange losses would be if Britain were to join the Common Market.

On the basis of the 1932 Ottawa Agreement, India is exporting to Britain cotton fabrics duty-free—approximately 170 million rupees' worth annually. The other countries pay a 7.5 per cent *ad valorem* duty. Should Britain enter the Common Market, India would have to pay a duty of 17-20 per cent and consequently its losses on the export of fabrics would run to about Rs. 30-35 million. About Rs. 10 million would be lost on Indian yarn exported to Britain.

Indian tea worth Rs. 750-800 million is exported annually to Britain duty-free. Should Britain become a member of the E.E.C. India would have to pay 18 per cent on unpackaged and 23 per cent on packaged tea, a loss of approximately Rs. 150-160 million.

India would suffer losses on the exports of tobacco, oil-bearing seeds, ground nuts, flax seed, castor oil beans, vegetable oils, pepper and other commodities. Customs duties on all these goods would spell a loss of Rs. 250-300 million, in addition to the possible loss from a drop in exports owing to greater competition by countries which formerly enjoyed no preferences. Losses would also be inevitable as a result of a reduction in the volume of exports because of the introduction of quantitative export contingents for each country. [8]

All other members of the British Commonwealth would find themselves in a more or less similar position. Britain accounts for about 30 per cent of Ceylon's export trade and 20 per cent of Pakistan's trade. The British market for the traditional exports of these countries would also be placed behind high customs barriers.

If we take the financial aspect, the main consequence of Britain's joining the Common Market as far as the less developed countries in the Commonwealth are concerned would be a considerable reduction in the receipts of foreign exchange they need to pay for the imports of equipment, industrial raw materials and major consumer goods. This would hit hard at the long-term economic programmes of these countries, lower their financial resistance and place them in a still more disadvantageous position with their imperialist creditors, increasing the dependence of the less developed countries on outside aid.

Britain's E.E.C. membership would be a strong blow at many Asian countries, whose industrial development largely depends on export trade and foreign-exchange receipts. The point is not only

[8] *Hindustan Times*, July 4, 1961.

that they would lose the former preferential tariffs or duty-free trade. They would be faced with the high protective tariffs introduced by the E.E.C. for all outsiders. The situation would be truly paradoxical for Asian and African Commonwealth countries: they would have to scale a high tariff wall, while countries of former French Africa associated with the Common Market would enjoy preferences in the British market.

It is clear that British membership of the E.E.C. would greatly complicate her economic and financial relations with the Commonwealth.

On general political grounds the United States is supporting the Common Market, expecting it to strengthen the positions of the capitalist system as a whole. American political leaders realise that the economic strategy of the E.E.C. with regard to the developing countries is aimed at perpetuating the colonial pattern of their economy, and this suits the United States because it coincides with its own strategy. The Common Market, far from accelerating, in fact slows down the creation of a national industry in the developing countries and the attainment of economic independence. It seeks to keep them as long as possible as suppliers of cheap raw materials, fuel and minerals on non-equivalent exchange terms.

The nature of the E.E.C. as a closed economic bloc and its customs measures directed against non-members reduce the export receipts of the developing countries and thereby lessen their chances to finance the building of a national economy with their own resources. This also suits the United States because it potentially increases the financial dependence of the developing countries on U.S. credits and aid.

Both E.E.C. and EFTA seek to exercise greater control over economic development in the newly-free countries through the aid policy. This does not disturb Washington because it itself wants to utilise the aid policy of the European imperialist powers along the lines of "collective colonialism". To place European aid to developing countries under its supervision and to a certain extent ease the burden on its budget, especially in view of the mounting protests of American taxpayers—all this also fully meets the plans of the U.S. monopolies.

The United States is supporting the policy of the E.E.C. regarding it as the economic basis of NATO. And NATO, on the one hand, links the European imperialist powers with the entire system of military-political blocs in Asia headed by the United States and, on the other, has harnessed to itself, and consequently to the United States, the 19 "associated" African countries and territories with their entire economic potential. This likewise fully suits the United States.

But what is most important politically for Washington is the division which the E.E.C. fosters by its economic policy among

the young African and Asian states, the contradictions and clashes which inevitably arise between developing countries in view of the customs discrimination against some and doubtful privileges granted to others.

For all these reasons the United States approves of the E.E.C., inasmuch as it finds in it all the basic elements of a policy which reinforces refurbished colonialism.

There are, of course, aspects in E.E.C. policy which give Washington serious cause for concern. Among these are:

excessive strengthening of the role of the West German economy in Western Europe and in some developing countries;

de Gaulle's policy of "reviving France's grandeur" and a certain relegation of Britain to the background because she is supposedly losing her ability to resist French and West German claims to hegemony in Western Europe and NATO;

harm caused to U.S. exporters by the E.E.C.'s high common tariffs against outsiders, including the United States;

greater export of U.S. private capital to the Common Market countries to the detriment of accumulation and investment within the United States proper;

the resulting reduction of the export of private U.S. capital to the less developed countries of Asia and Latin America which are discriminated against in trade with the countries of the E.E.C.

Hence the tendencies of the American monopolies towards so-called liberalisation of foreign trade policy; they are urging the Common Market countries to do likewise. Actually, this policy is aimed at getting some concessions from the E.E.C. countries in the form of lower customs duties on industrial and partly on high-grade farm produce exported by the United States to the Common Market countries. In this way Washington is trying to some extent to neutralise the adverse impact of the E.E.C. on the U.S. economy.

The integration of the forces of West European imperialism does not imply the advent of a conflict-free era in relations between the capitalist states. No integration can remove the contradictions between imperialist states.

The imperialists are now playing a dangerous game on the boundaries of the two socio-economic systems, in areas bordering on the socialist states in Southeast Asia, the Far East and the Arab East. Nevertheless, a fierce struggle continues to develop between the capitalist powers themselves.

Lenin considered inter-imperialist contradictions a highly essential ally of the proletariat and the national-liberation movement. He called for utilising them in the struggle against imperialism. This directive retains its importance today. Operation of the law

of uneven development of capitalism remains the principal source which deepens imperialist contradictions.

Some main tangles stand out in these contradictions. Growing economic might of the principal countries in so-called integrated Western Europe involves a corresponding rise in claims by the West German, French and Italian monopolies to a bigger role in world economics and politics. This compels the U.S. ruling circles to look for means to keep the claims of the West European monopolies and states within bounds.

Washington's attempts to exercise control over integrated Western Europe are countered by a drive of the Common Market countries on American capital in Europe and other areas. They look upon the weakening of U.S. economic positions, a reduction of the gold reserves and failures of Washington's policy in Asia and Latin America as elements conducive to a strengthening of their own positions.

The struggle for hegemony in Western Europe is gaining momentum and it threatens to undermine the positions of the United States. The claims of de Gaulle's Government to leadership in Western Europe are a new serious factor in this struggle. De Gaulle's claims are intensifying the contradictions between France and the other imperialist countries.

The advance of West Germany to the ranks of the biggest imperialist powers has ushered in a new stage in the fight for hegemony in Western Europe. West Germany has become the economically most powerful state in Western Europe, having overtaken Britain in overall industrial output. The military strength of West Germany and its expansion in the developing countries have noticeably grown. The United States, Britain and France are vying in the attempt to use their relations with the Federal Republic as a trump card in the struggle for their own hegemony in Western Europe.

This has facilitated the formation of the Paris-Bonn Axis. In its turn, the Federal Republic of Germany tries to utilise integrated Western Europe to further build up its economic and military strength in keeping with its revanchist plans. West Germany's greater economic and military strength has enhanced its influence both in capitalist Europe and in the economically less developed countries. The conversion of West Germany into an important factor of imperialism's international policy has become one of the prime sources of keener contradictions between the imperialists in the developing countries.

The so-called Paris-Bonn Axis is playing an ever greater part in the implementation of West Germany's economic policy in Asia and Africa and its aggressive policy in Europe. The Axis is creating a new political situation in Western Europe; it is largely directed against Britain, but is arousing anxiety in Washington, too. Britain has not succeeded in getting U.S. support against the new

Axis. But the situation has changed somewhat lately. By applying for admission to the Common Market Britain demonstrated her loyalty to the strategic aims of U.S. imperialism in Europe and, as it were, sought to create the opportunity for joint action by the United States and Britain within the Common Market. Britain thus wanted, on the one hand, to facilitate her struggle against her West European rivals—France and the Federal Republic—in the European market and, on the other, to preserve her influence in the markets of the developing countries, especially of the Commonwealth countries.

The help rendered by the United States to the Japanese monopolies and the subsequent rise of the latter have turned Japan into a serious competitor of both the American and the West European monopolies—especially in Asian countries. Japanese imperialism is laying claim to the leading role in Asia. At the same time, owing to the pro-American policy of the ruling circles, Japan's military dependence on the United States is not slackening. The struggle for Japan's complete national freedom from U.S. imperialism is acquiring special importance. Japan's position is considerably complicated by the development of the Common Market. She is sustaining telling losses as a result of the E.E.C. customs policy and keener rivalry in the markets of Asia and Africa.

The changes in the alignment of forces in the imperialist camp promise a further aggravation of contradictions. But this notwithstanding, the imperialists, in their policy towards the young states, increasingly resort to collective action. The policy of collective colonialism is accompanied by the Western powers recognising the leading part of the United States in maintaining colonialism. The role of the United States as the world exploiter stands out especially clearly in the policy of collective colonialism.

The imperialists are working hard to prevent the further development and strengthening of cooperation between the socialist countries and young sovereign states. They are trying to foster anti-Soviet sentiments among the ruling circles of the developing countries. Efforts to set the young states against the socialist countries are designed to isolate the national-liberation movement from the world revolutionary process, to deprive the developing countries of reliable support in world affairs and thus create conditions for the consolidation of neo-colonialism.

* * *

The imperialist powers left a legacy of economic disunity in the young sovereign states. The colonies and semi-colonies were separated from each other not only by a wall of bayonets of the hostile and competing metropolitan countries. The deepest lack of integration in the economy of the former colonies was rooted in the exploiting

and unequal nature of the relations of each metropolitan country with its colonies. It was rooted in the general system of imperialism's colonial monopoly, which precluded the economically free, technologically rational, most efficient social division of labour between the countries of Asia, Africa and Latin America based on the diversity of natural wealth and genuine economic integration.

The economic disunity of the Asian, African and Latin American countries practically still persists. The disintegration of the political forms of colonialism, inasmuch as it has not been accompanied in most former colonies and semi-colonies by a break with the world capitalist system, has not abolished the lack of integration in their economy. The newly-free countries are faced with this intricate problem and are looking for a solution. There is no need to prove the importance of creating a large market capable of absorbing, on mutually advantageous and equal terms, large quantities of diverse goods produced by the developing countries. But the formation of such a market is a difficult thing. The less developed countries export mainly one or two kinds of raw materials or food for which they cannot find an adequate market among themselves.

The imperialist monopolies are interested in preserving the greatest possible disunity of the less developed countries. The essence of the anti-industrialisation policy is to consolidate economic dependence on the Western monopolies, to prevent the possibility of trade between the young countries and also between them and the socialist countries, to perpetuate their one-sided trade with the imperialist powers. To strike a telling blow at this policy it is necessary first of all to industrialise the less developed countries and to extend, on this basis, the reciprocal exchange between the Asian, African and Latin American countries and also between them and the socialist states.

Here are figures on trade between the less developed countries of Asia, Africa and Latin America (Table 28).

The market ties of the developing countries of Asia, Africa and Latin America are exceedingly weak. They sell only an insignificant part of their exports within their own continents. Sixty per cent of Asia's exports and 80 per cent of Africa's and Latin America's exports go to the industrial countries of the capitalist world.

Asian exports to socialist countries doubled between 1955 and 1960, Latin American trebled and African rose by 50 per cent. The total is still not very large, but in 1960 it was greater than the export trade of the less developed countries in each continent with the other two continents.

The isolation of the developing countries makes it difficult for them to set up a common market on an equal basis, which they need so badly. Nevertheless, to counter the neo-colonialist policy, the developing countries are trying to eliminate their economic disunity.

Table 28

Direction of Exports of African, Asian and Latin American Countries
(percentage of total exports)*

	Exports from Asia		Exports from Africa		Exports from Latin America	
	1956	1960	1956	1960	1956	1960
To all less developed countries of the three continents.	39	35	14	15	17	18
Of which:						
to countries of own continent (without the socialist countries).	23	19	10	9	8	8
to countries of other continents	5	5	3	5	1	1
To developed capitalist countries	58	59	82	79	82	79
Of which:						
to E.E.C. countries	13	11	41	40	17	19
to EFTA countries	16	15	26	24	12	11
to countries of North America	16	17	9	8	46	44
To socialist countries of Europe and Asia.	3	6	4	6	1	3

* Compiled on the basis of data in *Monthly Bulletin of Statistics*, March 1962.

The second session of the economic council of the Casablanca Charter countries was held in Cairo at the end of March and in early April 1962. It decided to organise an African common market on the basis of abolishing all customs restrictions in trade between the United Arab Republic, Morocco, Ghana, Guinea, the Republic of Mali and Algeria. It was also decided to set up an African economic development bank, an African payments union, to introduce multilateral clearing, organise African air and maritime companies and establish a common television network and an African postal union. [9] The session of the economic council laid down that loans and credits received from foreign powers must be free of any strings that undermine or infringe the political and economic sovereignty of the African countries. The Addis Ababa Conference of heads of African states and governments in 1963 was the next stage in consolidating the striving of the African countries for economic unity. A number of Arab countries (United Arab Republic, Syria, Iraq and others) formed a common market at the end of 1964.

[9] *Commerce*, August 29, 1961; *Egyptian Gazette*, April 3, 1962.

Similar measures are being discussed by sovereign Asian states. On their economic agenda are questions of removing customs barriers in trade between developing Asian countries, the establishment of coordinated transport systems, the organisation of a joint investment bank, formation of an Asian currency, payments and settlement area, reciprocal supply with food and industrial raw materials, the setting up of intra-Asian trading and industrial companies, coordination and stabilisation of prices, etc. *Economic Weekly*, an important Indian economic journal, says that the conditions for economic cooperation between the Asian countries are now more favourable than ever before. [10]

* * *

Capitalist integration, including that existing between the European Economic Community and most of the former French colonies in Africa, promotes a certain development of capitalism in the latter. This in turn leads to a gradual change in their economic pattern, to the replacement of archaic forms of natural and small-commodity economy by capitalism.

But the purpose of this integration is to promote the complete absorption of the less developed countries by the world capitalist system and prevent their future transition to the non-capitalist road of development.

Offering various reasons for integration, bourgeois economists and politicians avoid a question of decisive significance for the less developed countries: the utmost expansion of national markets and, in the most backward countries, the creation of national markets through deep-going socio-economic changes—and above all a land reform and independent industrial development. Any equal integration is out of the question as long as many of these countries have no national market of their own or as long as the foreign monopolies dominate it.

The first requisite for equal inter-national market relations is to provide conditions for the creation and the constant growth of a country's national market by ousting foreign capital from it. This also involves breaking the grip of the foreign monopolies on foreign trade and placing it under state control. Without these requisites any form of capitalist integration will be nothing else but neo-colonialism.

It is beyond doubt that the real purpose of the Treaty of Rome and integration effected on its basis is gradually to establish foreign economic control not only over the market of goods, capital and manpower, but also over the internal social and economic policy (taxation, social security, construction, transport, home trade, ag-

[10] *Economic Weekly*, April 14, 1962.

ricultural policy, banking, etc.) and, in the long run, over the foreign policy of less developed countries. This is euphemistically called voluntary renunciation of sovereignty—naturally in favour of the group of countries which dominates the Common Market.

The European Common Market controls exports, imports and foreign exchange and naturally the balance of payments. The Executive of the Common Market thus controls questions of current and long-term economic development, its trend and rates, and also plans the growth of the national product and the national income. This is how a country's balance of payment and, moreover, its people's living standards come under foreign control.

Some spokesmen of the bourgeoisie in the developing countries think that association with the Common Market may facilitate the emergence and expansion of a national market and this, in turn, may gradually erode the feudal survivals and the isolation of the natural economy, draw all the areas of a country into commodity exchange, speed up capital accumulation and consequently make internal social reforms unnecessary. A national market supposedly will grow without anti-feudal and anti-imperialist reforms, not to speak of revolutions. This imaginary idyllic spirit of "mutual assistance" between the imperialist and the less developed countries within the framework of the E.E.C. is well out of touch with reality. Rather it gives away the persistent desire of the reactionary elements of the national bourgeoisie and also the landowners and compradores to curtail as much as possible the meagre social reforms carried out in many countries. The imperialists want to persuade the national bourgeoisie who are afraid to abolish all the remnants of feudalism and colonialism that actually there is no need to do so. The imperialist "integrators" are meeting the natural desire of the national bourgeoisie to limit the scale of social reforms, holding up the theory and practices of the Common Market as a panacea against backwardness.

The intrinsic duality of the national bourgeoisie is very clearly displayed in some Asian and African countries. On the one hand, they are afraid of foreign capital and, on the other, seek to cooperate with it. The national bourgeoisie are not enthusiastic over the Common Market which increases the penetration of foreign capital and subordinates the home market to its interests. They want a Common Market which promises foreign investments for the joint exploitation of a country's resources. The Common Market which offers greater competition to goods of national industry repels the local bourgeoisie, but the Common Market which promotes the growth of capitalism in a country and possibly obviates the need for reforms in order to expand the home market, appeals to them.

Some of the national bourgeoisie and bourgeois intellectuals in the young states hope that integration will open up new sources

for financing economic development in their countries. They think integration will be followed by a stream of foreign investments, which will make possible the wide utilisation of the natural resources and the mass of idle labour power, and lead to industrialisation. Proponents of this view forget the lessons of history and ignore reality which demonstrates that foreign monopoly capital is not interested in the development of the national productive forces and the industrialisation of the newly-free countries.

True, after the establishment of the Common Market, foreign investments in the less developed countries increased. The integration policy is substantially expanding foreign investments in the extractive and manufacturing industries which are of economic and strategic interest for the monopolies. It is not so much the private investments that are rising as the inter-government and official loans for the construction of railways, communication, power stations, etc. There is the possibility of a further increase in private foreign investments and loans by international financial organisations for the expansion of enterprises belonging to local private capital and for their joint operation and also for the formation of new mixed enterprises with private local capital.

The main argument of bourgeois economists advocating integration runs as follows: private foreign capital will flow into those less developed countries which will create an optimum investment climate and have the smallest production costs. Hence, if you want to ensure your country's economic development by cooperating with the Common Market, you must create these conditions for foreign investors.

Economic integration thus presupposes abolition of tariff protection in the commodity markets, abolition of privileges for the national bourgeoisie in the capital market, and the free movement of capital and goods within the framework of the Common Market. Thereby it actually disarms the less developed countries in face of the drive of the principal imperialist powers.

Realistically-minded representatives of the national bourgeoisie understand that the Common Market cannot promote independent industrialisation, the creation of a diversified economy and greater accumulation of national capital. They are aware that the Common Market will result in bigger pumping out of raw materials, minerals, fuel and food and also in big profits for the monopoly groups. This part of the national bourgeoisie take with a grain of salt the boosting of the Common Market by the "integrators" as a positive factor promoting the economic growth of the newly-free countries.

The late Prime Minister Nehru had voiced doubts whether the Commonwealth would be able to withstand such sharp changes in the conditions of the less developed countries which would result from entry into the Common Market. He said that to ignore the

needs of the developing countries was he old concept, the colonial concept or something like that". [11]

President Ayub Khan of Pakistan has rightly questioned whether the Western world intended to turn itself into "a powerful international cartel... re-establishing imperialism of the worst kind".[12]

Addressing a conference of the Afro-Asian Organisation for Economic Cooperation in Karachi, Ayub Khan said: "Our external difficulties arise from tariffs, quota restrictions and other obstacles which prevent the expansion of our export trade.... It is self-evident that to provide aid and to deny trade to the less developed countries amounts almost to giving with one hand but taking away with the other." [13]

Economic integration of the less developed countries with the imperialist states which does not help the former to attain economic independence basically runs counter to the demands and interests of the people and the vital tasks of their anti-imperialist struggle. Only the type of integration which speeds economic independence will be a primary means for full national liberation, will get the people's support and be successful.

The growing strength and rapid progress of the socialist countries are creating new conditions for the less developed states in their struggle for independence in foreign trade. The utilisation of these objective conditions logically and economically dictates joint action, i. e., struggle by the socialist and the developing countries against the Western monopolies and for free world trade.

The socialist countries have accumulated immense experience in struggle against economic dependence. They are disinterestedly and increasingly helping the young Asian and African states to build an industry and lay the foundations of economic independence.

A new stage has arrived when the young Asian and African states have begun to coordinate their long-term development plans and also to choose their new place in the international division of labour and in world trade. Experience shows that the best results are achieved only by the developing countries which, extending equal economic relations and technical cooperation with the socialist countries, relying on their assistance and resisting neo-colonialism, are energetically working to rise to a new place in the world economy.

Today when the question of an independent national economy is being decided, progressive patriotic circles in Asia and Africa are increasingly realising that the genuine national interests of their people are incompatible with the interests of the imperialist monopolies.

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[11] *Times*, September 12, 1962.
[12] *Ibid.*
[13] *Pakistan Times*, December 7, 1963.

CHAPTER VI,

U.S. MILITARY AID TO ASIAN DEVELOPING COUNTRIES

Aid granted by the United States is formally divided into military and economic, although appropriations for military purposes are often included in the latter.

Distribution of American military aid, which passes through the expenditure side of the budget, is shown in Table 29. The data cover the period from July 1, 1945, to June 30, 1963. Analysis of the figures shows that 55 per cent of direct military aid went to the European countries which are U.S. NATO allies. About 22 per cent was received by member countries of CENTO and SEATO, 16 per cent by South Korea, the Chiang Kai-shek clique on Taiwan and South Viet-Nam, including money for financing the aggressive wars in Korea and Viet-Nam.

A break-down by areas reveals that 98 per cent of the military aid to the Middle East went to three countries: Turkey, Iran and Pakistan; in Southeast Asia 63 per cent was granted to South Viet-Nam, Thailand and the Philippines; in the Far East 80 per cent was given to the Chiang Kai-shek clique and South Korea. These figures leave no room for doubt as to the specific nature of military aid; it is received primarily by U.S. allies in military blocs or by Washington-supported puppet regimes.

Although the ideologists of American imperialism are trying to spread the illusion that military aid comprises an insignificant part of all aid to foreign states, reality refutes these assertions.

The predominantly military nature of U.S. aid has not been changed since the Korean war. During that war, of the $19,100 million appropriated for military aid, actually $11,000 million, or 58 per cent, were used; in subsequent years budget appropriations amounted to $8,500 million, but $13,700 million, or 161 per cent of the allotted sum, were spent on military aid. During the Korean war military aid comprised 62 per cent of total budget aid appropriations and the actual sum spent was 49 per cent, but subsequently this ratio changed. In budget foreign aid appropriations,

Table 29

Distribution of U.S. Military Aid by Areas and Countries*
(July 1, 1945 — June 30, 1963)

Regions and countries	Sum, million dollars	Percentage of total
Western Europe	17,970**	—
Asia	14,988	—
Iran	621	10.2
Iraq (up to July 1958)	46	0.8
Jordan	25	0.4
Israel	1	—
Lebanon	9	—
Turkey	2,371	39.4
Afghanistan	4	—
India	30	—
Other countries (including Pakistan)	2,990***	49.2
Total	6,097	100.0
Indonesia	18	0.7
South Viet-Nam	760	28.6
Thailand	501	18.7
Cambodia	95	3.5
Laos	151	5.7
Philippines	427	16.0
Indo-China (prior to 1954-1955)	710	38.8
Total	2662	100.0
Chiang Kai-shek clique	2,437	43.7
Japan	1,071	19.5
South Korea	2,044	36.8
Total	5,552	100.0
Latin America	716	—
Africa	143	—

* The table is based on data from *Congressional Record*, December 12, 1963, p. 23226.

** Including Greece ($1, 654 million), which official statistics places in the Near East.

*** Author's estimates; no official data are available.

military aid amounted to 44 per cent, but it comprised 59 per cent of the sum actually spent. [1]

[1] Calculated on the basis of *Statistical Abstract of the U. S., 1958*, New York, 1959, pp. 61-75, 187-205.

The cold war against the socialist countries, the line of suppressing the national-liberation movement, and the entire foreign policy of the U.S. ruling circles resulted in the ever greater squandering of huge resources belonging to the American people for military, and not economic, aid to foreign states. Chester Bowles wrote: "Each year the White House has presented a budget for 'foreign aid' in the neighbourhood of $4 billion. Most Americans have assumed that this money was largely earmarked for such down-to-earth essentials as ploughs, D.D.T., fertiliser, pumps and other equipment necessary to help struggling new nations ease the pressures of poverty.... But this is a misconception. Each year 80 per cent of our foreign aid programme has gone directly or indirectly for military purposes." [2]

Military aid naturally is not limited to the financing and the delivery of armaments and military supplies. It is accompanied by sending to the recipient countries many American military instructors, advisers, and officials (in addition to servicemen) to ensure the implementation of the strategic aims of U.S. imperialism.

This large group of military and civilian advisers usually holds important posts in the military-political administrative and economic machine of the recipient country. The task of this group is to strengthen the positions of the Pentagon, the State Department and the Central Intelligence Agency in the countries whose ruling circles have bound themselves by a military or political alliance to the United States.

The following figures (as of June 30, 1960) give an idea of the number of U.S. military and civilian advisers in Asian countries and areas which get U.S. military aid: [3]

	Military advisers	Civilian advisers
Iran	375	10
Turkey	470	63
Pakistan	no data	no data
South Korea	1,757	91
Japan	189	41
Chiang Kai-shek clique	1,057	1
Philippines	80	8
Thailand	245	2
South Viet-Nam	692	—
Laos	250	30
Cambodia	60	—

In return for military aid Washington's allies place their available military forces and war potential at the disposal of the United States as the actual leader of SEATO and CENTO (cf. Table 30).

[2] Ch. Bowles, *Ideas, Peoples and Peace*, New York, 1958, p. 134.

[3] Data published in *New York Times*, May 22, 1961.

Table 30

War Potential of U.S. Allies in Asia in 1959*

	Number of divisions	Strength, thousands	Number of aircraft	Number of ships	Tonnage, thousand tons
SEATO and CENTO					
Philippines	4	40	250	30	103
Thailand	10.5	500	300	100	28
Pakistan	9	300	1,000	24	30
Turkey	26	400	1,000	124	273
Iran	14	220	200	49	—
Total	63.5	1,460	2,750	327	—
Japan	13	250	1,300	410	—
South Korea	28	550	2,000	100	—
Chiang Kai-shek clique	23	400	500	143	—
Total	64	1,200	3,800	653	—
Grand total	127.5	2,660	6,550	980	—

* Source: *Boei nenkan* (in Japanese), Tokyo, 1960, pp. 443-444, 454, 459-461.

The build-up of the war potential of U.S. Asian allies is proceeding under the cover of talk about the readiness of the United States to disarm. It leads to the militarisation of economic and social life in these countries.

Economic aid of the United States (including money allotted under the Foreign Aid Act, credits of the Export-Import Bank and contributions to international financial organisations—International Bank for Reconstruction and Development, International Monetary Fund, International Finance Corporation) in which a substantial part goes for military purposes, amounted to $71,632 million between 1945/46 and 1962/63. [4] European capitalist countries have received about 60 per cent of the U.S. non-military aid.

According to data published in the *Congressional Record*, [5] two-thirds of U.S. foreign aid consists of economic aid ($71,600 million, or 68 per cent) and one-third, military ($39,500 million, or 32 per cent). But these data are refuted by other American sources.

For example, an official source, analysing American government aid between 1946 and 1957, gives the following break-down: military aid, 83 per cent; aid under the development programme, 7 per cent; aid under the technical cooperation programme, 4 per cent; aid from the President's fund and other sources, 6 per cent. [6] It may be assumed that these data, taken from a document of the U.S. Senate, are more reliable.

[4] *Congressional Record*, December 12, 1963, p. 23226.
[5] *Ibid.*

At a press conference in March 1962, the late President Kennedy, discussing his second message to Congress of March 13, 1962, with a request to appropriate $4,878 million for the foreign aid programme in 1962/63, said: "Well I know foreign aid—it's always open season on it. I believe this programme is just as important as our national defence. Over half of it is directly tied to arms assistance, which means that it represents an additional appropriation, in a sense, for the Pentagon". [7]

Kennedy's statement that more than half of the appropriations for the foreign aid programme goes directly for military purposes is of basic significance and precludes misinterpretation in assessing the nature of this aid. The statements from numerous sources that 80 per cent of aid goes for militarising the Asian allies of the United States are realistic and convincing.

The military and non-military deliveries of the United States are a source of high profit for the American monopolies. Deliveries of arms to foreign states create a large additional market for the monopolies. Approximately 80 per cent of all appropriations for foreign military aid are spent inside the U.S.A.

The same is true of non-military deliveries. Of the total aid appropriations for 1961/62, 79 per cent was spent in the United States ($4,800 million out of $6,100 million). In 1962/63 this was estimated at 80-85 per cent. In 1963/64 it reached a still higher level and was close to 90-95 per cent. Weapons, war supplies, manufactured goods, raw materials and food bought on account of the appropriations, go abroad but are produced and paid for in the United States. They make up approximately 12 per cent of all American exports. About 700,000 workers are engaged in filling orders received by the monopolies under the foreign aid programme. [8]

The Agency for International Development, formed in 1961, published figures on orders received by the U.S. monopolies in the previous 8 years under the foreign aid programme. Of the 50 states, 44 in some degree or other received "some share of the business", with the New York monopolies getting orders for $2,600 million, Texas $488 million, California $269 million, Pennsylvania $153 million, Tennessee $194 million and Illinois $121 million. [9]

Discontinuation or reduction of foreign aid would threaten the U.S. monopolies with a loss of orders, decline of their profits and the disappearance of vast markets for surplus farm produce,

[6] *Foreign Aid Program*, Washington, 1957, p. 6.
[7] *New York Times*, March 15, 1962.
[8] *U.S. News and World Report*, August 6, 1962.
[9] *Ibid.*

and a loss of about $1,000 million for services rendered by American firms (freight charges, etc.).

In the words of a well-informed American journal, "the true story of foreign aid is that it has become a built-in subsidy for the American economy—and Congress is reluctant to end that subsidy".[10]

Mention should also be made of some specific features of the foreign aid programme. The United States delivered to Asia, particularly prior to 1955, obsolete arms left over from the Second World War. As for the extensive financing of foreign military aid, this has enabled the Pentagon and the monopolies associated with it to utilise, actually without any control and on various pretexts, a considerable part of the appropriated sums for the production and modernisation of weapons for the U.S. army itself, instead of passing on these funds to its allies.[11]

Such "non-regional" expenditure for the modernisation and reciprocal improvement of armaments, for the arms production programme and various expenses amounted to a large sum ($507,8 million between 1950 and 1960).[12]

Appropriations for economic aid are literally submerged in the colossal military appropriations which overstrain both the balance of payments of the United States and the economy of a number of allied Asian countries.

The U.S. balance of payments is weighed down by the huge expenditure needed to finance Washington's aggressive policy throughout the world, including Asia. In the past decade these outlays amounted to about $7,000 million annually on the average, of which from $3,000 to 3,500 million are for military and non-military aid and approximately as much for the maintenance of the American armed forces abroad.

The U.S. balance of payments between 1958 and 1962 (including the export of private capital) had a deficit of $15,500 million.[13] This brought on a considerable outflow of gold from the United States to cover foreign commitments. The country's gold reserve dropped from $22,100 million in 1956 to $16,000 million by October 1963.[14] This trend continued in the following years. In 1948, the U.S. gold reserve amounted to 71 per cent of the entire reserve in the capitalist world and in 1962, to 39 per cent. At the same time dollar assets held by foreigners rose from $14,400 million to $21,400 million. In other words, the dollars held by foreigners exceed by $5,000 million the gold reserve of the U.S.A. Here, naturally, no account is taken of the huge quantity of paper dollars in circulation within the country. All this means that a confidence crisis in the dollar has arisen. If in face of the mounting deficit in the balance of payments and unceasing growth of military appropriations under the budget, the confidence crisis in the dollar results in the wholesale outflow of gold, the United States may be confronted with the prospect of devaluating the dollar.

The U.S. share in the capitalist world's industrial output dropped from 53,5 per cent in 1948 to 45 per cent in 1962. The annual growth rate of industrial production in the United States was 2 per cent as against 6 per cent in Western Europe. The share of the U.S.A. in world capitalist exports declined from 24 per cent in 1957 to 18 per cent in 1961. The influence exerted by state-monopoly measures on the course of economic development is evidently on the wane. A period has set in when the huge expenditure on refurbishing colonialism and the export of counter-revolution are undermining the economy of Imperialist Power No. 1.

A critical attitude to the foreign aid programmes has been on the increase even in bourgeois circles. According to the *U.S. News and World Report*, "year after year resistance to foreign aid seems, on the surface, to grow steadily more intense.... Taxpayers grumble.... Still strong is the idea of foreign aid as a keystone of U.S. foreign policy. Hope remains that U.S. dollars will buy allies and build up underdeveloped countries so they will not be lured into Communism."[15]

The U.S. war industry is most intimately intertwined with the foreign aid programmes. The *New York Herald Tribune* has reported that there are 1,550 lobbyists registered with U.S. Department of Justice. "Some are working for prosperous West European industrial nations. Others serve the poorer, underdeveloped nations seeking foreign aid". The newspaper is compelled openly to speak of the "notorious and unhealthy activities of parasites now swarming over our (U.S.—*R. U.*) billions in foreign aid, as if it were some vast international pork barrel" and to draw attention to their relations with Senators and Congressmen.[16]

The granting and allocation of American foreign aid is at times accompanied by scandalous exposures. W. Douglas, Associate Justice of the U.S. Supreme Court, says that the actions of the United States in Asia, Africa and Latin America have often been identified with corruption on a vast scale: "Our foreign aid has made it possible for foreign office holders to acquire undreamed-of wealth."[17]

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[10] *Ibid.*
[11] *Business Week*, April 6, 1957.
[12] *Congressional Record*, March 14, 1960.
[13] *U.N. Current Economic Indicators*, New York, Vol. 3, No. 1, 1962, p. 50; *The Economic Report of the President*, January 1963, p. 263.
[14] *Monthly Bulletin of Statistics*, October 1963; *International Financial Statistics*, December 1962.
[15] *U. S. News and World Report*, August 6, 1962.
[16] *New York Herald Tribune*, July 30, 1962.
[17] W. O. Douglas, *Democracy's Manifesto*, New York, 1962, p. 31.

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All the developing countries are interested in foreign aid. But they are interested in foreign aid not restricting their sovereignty and the activity of their governments both in home and foreign policy. Yet, when rendering aid to less developed countries the United States puts up, in one or another form, military and political conditions or demands fundamental concessions in favour of private enterprise.

Since 1952, acceptance of military obligations by the recipient countries has been legislatively turned by U.S. Congress into official international policy. This is an attempt to institute a new system of international relations in the postwar capitalist world, which is rightly regarded as neo-colonialism by the people of Asia, Africa and Latin America.

The U.S. Congress act on "mutual security" reveals the true character of foreign aid. The act specifies that no military, economic, or technical assistance shall be supplied unless the recipient country has agreed to "fulfill the military obligations which it has assumed under multilateral or bilateral agreements or treaties to which the United States is a party. No economic or technical assistance shall be supplied to any other nation unless the President finds that the supplying of such assistance will strengthen the security of the United States...." [18]

A frank definition of the aims of American aid is given in the book published by the Institute of the Woodrow Wilson Foundation: "The United States Government makes loans or grants to other countries because these are effective and morally valid means for the achievement of American foreign policy objectives. Aid which meets these criteria is justified, aid which does not, should not be provided". The book goes on to say: "Particularly in the independent underdeveloped countries, the political, military and social returns from United States Government aid programme may be more important than their immediate economic benefits, and may outweigh any violations of 'businesslike' criteria." [19]

The American press is full of frank admissions about the imperialist, selfish aims of foreign aid, made by high-placed official U.S. leaders.

When he was Secretary of State Dean Acheson said that in helping the less developed countries the United States was not motivated by philanthropy; it had a self-interest in the aid programme. [20]

[18] *The American Journal of International Law*, Washington, 1952, No. 1 (Official Documents section).

[19] *The Political Economy of American Foreign Policy*, New York, 1955, p. 341.

[20] *Department of State Bulletin*, Washington, February 4, 1952.

Wall Street Journal, mouthpiece of the U.S. monopolies, writes that whenever a country expresses unwillingness to follow American policy a proposal is made in Washington to grant aid to that country so as to rectify its line of behaviour. [21]

When the foundations of the American policy of aid to less developed countries were being laid in 1952 no one had any doubt that besides the strategic and political aspects this aid was also expected to stimulate the further expanison of private American enterprise. *The Foreign Commerce Weekly* wrote that some men considered that the aid programme proclaimed by the U.S. Government was unconnected with the private activities of American businessmen abroad; in reality the basic point of the programme was cooperation with private capital and the creation of a suitable climate for foreign investment in the less developed countries. [22]

The main aims of American aid are to establish strategic bases on the territory of the less developed countries, to gain political allies in Asia, Africa and Latin America, to install or prop up political regimes in these countries that suit the United States and to ensure the expansion of investment by the U.S. monopolies. The Kennedy—Johnson Administration introduced nothing fundamentally new in the underlying strategic aims of the aid policy. The criteria by which the U.S. Government is guided in granting aid were discussed in a pamphlet published in 1961. It was pointed out that the United States decided the question of giving aid to a country not depending on its political system, but proceeding from the considerations whether this would promote the security of the U.S.A.—for example, by gaining the right to use an important military base or military installation in that country's territory. [23]

For their attitude to American aid the developing countries could roughly be divided into two groups: a) countries whose ruling circles follow a pro-American foreign policy and accept American military and economic aid with all kinds of strings attached, and b) countries whose ruling circles pursue an independent foreign policy, try to strengthen national independence and do not accept U.S. aid that carries political strings.

The first group includes, on the one hand, countries in which the trading and compradore bourgeoisie and landowners associated with the capitalist market prevail in the ruling circles. The democratic, anti-imperialist movement has not reached a substantial scale in these countries (Thailand, Pakistan). This group also includes countries whose ruling circles have succeeded in temporarily crushing in open struggle the mass anti-imperialist democratic movement (Philippines, South Korea, Jordan and others). For the ruling circles of these states a military-political alliance with U.S.

[21] *Wall Street Journal*, April 4, 1954.

[22] *Foreign Commerce Weekly*, September 22, 1952.

[23] *Foreign Aid. Facts and Fallacies*, Washington, 1961, p. 22.

imperialism and its military and economic aid are an important means for preserving their domination.

U.S. military aid is of prime importance for the rulers of this group of countries because it enables them, relying on reactionary forces within their countries, to suppress the forces of democracy and national progress.

Turkey, Pakistan, Thailand, the Philippines, South Viet-Nam and South Korea have given the United States the right to maintain military bases on their territory. For this they get large quantities of weapons, war supplies and economic aid which have enabled them to re-equip their armies along the U.S. pattern with the help of resident American instructors. [24]

Turkey is a member of NATO and at the same time, together with Iran and Pakistan, a member of CENTO. Thus Turkey serves as a connecting link between NATO and CENTO. Pakistan, together with Thailand and the Philippines, is a member of SEATO and acts as a connecting link between CENTO and SEATO. These three military and political blocs form a closed system. Moreover, the United States has special bilateral military agreements with the Philippines, South Korea and the Chiang Kai-shek clique on Taiwan.

It is no secret that American aid is not rendered unselfishly. That is why even the ruling circles of countries like Turkey, Pakistan, Jordan, South Viet-Nam or the Philippines do not always unanimously and easily settle questions pertaining to U.S. aid—its forms, scale and terms. The U.S. Government and the monopolies are most of all concerned with their own interests which naturally do not coincide on all points with the interests of the ruling circles of these countries, particularly with the interests of the class (where it has emerged) or the section of the national industrial bourgeoisie which seeks to pursue a more independent foreign and home policy. At times American aid is refused for economic and political considerations.

The ruling circles of these countries, moreover, are to some extent compelled to reckon with democratic opinion. A people suppressed potentially represents a powerful anti-imperialist force whose active protest is not exactly wanted by the ruling circles.

Let us examine in brief the politically-conditioned aid of the United States to some Middle Eastern and Southeast Asian countries.

[24] Krishna Menon in his speech in the Indian Parliament on March 27, 1957, said with regard to SEATO and CENTO that it was a curious combination of former imperial countries and former colonial countries and to a greater or lesser extent a return, in a pact form, to colonial rule. In his opinion, the helpless, militarily weak countries by joining military alliances "simply bring back all the attributes of colonial rule in a different form" (quoted after R. Emerson, *From Empire to Nation*, Cambridge, (Mass), 1960, p. 395).

Turkey. The United States began to render aid to Turkey as early as the Second World War, giving it war supplies and equipment for $90 million by way of lend-lease. The so-called Truman Doctrine was proclaimed in 1947 and Turkey has been getting regular Western aid since 1949. Up to 1962/63 she received about $4,100 million, of which $1,800 million were in economic aid. [25] Of the latter sum about $500 million dollars also went for military purposes. In other words, more than three-quarters of U.S. aid to Turkey was for military needs and only about one quarter went into the economy, above all those branches which raise a country's war economic potential (mineral raw materials, the extractive industry, building of ports and roads, power).

According to data for 1952/53-1956/57, deliveries of American goods through economic aid were in the nature of dumping of U.S. commodities, chiefly consumer goods. This is shown by the ratio of goods for production purposes to consumer goods in U.S. aid deliveries during that period (percentage): [26]

	1952/53	1953/54	1954/55	1955/56	1956/57
Industrial goods	68	52	45	27	13
Consumer goods	32	48	55	73	87

Turkey has to some extent developed the sugar, textile and cement industries and increased the production of electric power. Nevertheless she still lacks an engineering industry. Her metallurgical and chemical industries are in an embryonic state. She fully depends on the imports of machinery and equipment, oil products, chemicals and many other industrial goods. The unfavourable balance of Turkey's foreign trade is steadily growing. In 1961, it amounted to 1,464 million Turkish pounds; in 1962, to 2,169 million and in 1963, to 2,904 million pounds. [27]

The country's natural resources are quite sufficient to establish a developed manufacturing industry, but American aid is by no means designed to promote national industrial production of capital goods.

No radical changes in the pattern of the economy have occurred in all the years Turkey has been getting American aid.

Some bourgeois Turkish economists are trying to prove that Turkey's economy is prospering with the help of American subsidies and loans. They refer to the country's growing national income. Indeed, nominally, it has risen sharply: in 1951, it amounted to 10,700 million pounds, in 1955, to 18,200 million, in 1960, to 40,100 million and in 1963, to 55,300 million pounds. [28] But authors

[25] *Congressional Record*, December 12, 1963, p. 23226.

[26] *Политика США на Ближнем и Среднем Востоке*, Москва, 1960, стр. 128.

[27] *Turkiye Šatisat Gazetesi*, February 13, 1964.

[28] *Monthly Bulletin of Statistics*, March 1964.

offering such proof ignore the fact that during this period the Turkish pound sharply depreciated owing to inflation and the inordinate growth of the budget expenditure for the country's militarisation.

If we take official statistics of the United Nations we find that in 1955 when the rate of exchange of the American dollar was 2.8 Turkish pounds, the national income of Turkey (18,200 million pounds) amounted to $6,500 million, while in 1964 when it reached 55,300 million pounds, it actually dropped to $6,100 million, because the exchange rate of the dollar was 9 pounds.

Being a member of two blocs—NATO and CENTO—Turkey maintains an army of 500,000 men, the third largest after the United States (2,500,000) and France (1,000,000). In 1963, the sum of 3,297 million pounds, about one-third of the budget, was spent for military purposes. In 1963 alone, the military expenditure increased by 10 per cent.

The United States had many military, especially air, bases in Turkey, and about 8,700 servicemen.

Turkey is spending in peacetime about one-third of her national budget for military purposes. The military expenditure swallows up so large a part of the national income that even the ruling circles are beginning to have doubts on this score.

"Unemployment is a nightmare strangling the country", the newspaper *Tercüman* writes. "The people are exhausted by the burden of the steadily growing taxes. The country has been turned into a police station. We condemn the people who flee to the mountains and turn into robbers, but dare not speak up against the prevailing conditions which compel them to do so." [29] The number of jobless people in town and countryside, including registered unemployed, is now nearly 4,000,000. By 1959, the cost of living trebled as compared with 1950,[30] and rose nearly 10 times as compared with 1938.

Vatan writes that "starving and semi-starving people comprise over 80 per cent of the population who, moreover, are illiterate. Ninety per cent of the population engaged in agriculture receive 48 per cent of the income from it; the other 52 per cent falls into the hands of the 10 per cent who dominate agriculture". All of Turkey, in *Vatan's* opinion, "is serving a small group of people and is working to enable this minority to live in luxury." [31] This lucky minority which, according to figures published in the newspaper *Cumhuriyet*, is getting a national income 22,000 times greater than the unfortunate "working majority", is responsible for the present situation in the country.

[29] *Tercüman*, August 8, 1962.
[30] *Ulus*, October 10, 1959.
[31] *Vatan*, August 10, 1962.

Why does a country which is getting considerable foreign aid and whose economic development for many years has been invariably guided by foreign specialists, financiers and politicians, have an empty treasury and why do the people live in such difficult conditions? The answer to this question is furnished by the policy adopted by Turkey's ruling circles during the Second World War.

After the war the country's ruling circles began to apply a policy of one-sided orientation on the United States. Washington made Turkey devaluate her currency and remove all restrictions on the imports of foreign goods, primarily American. Big changes have taken place in the country's foreign trade balance. As early as 1947 it became unfavourable and so did the balance of payments. During the rule of the Democratic Party (1949-1960) the foreign trade deficit totalled 2,724 million pounds. [32] That was a long period of one-sided and unequal trade relations with the United States and the other imperialist powers.

At that time the Turkish Government, under U.S. pressure and owing to its short-sighted pro-imperialist course, hampered the development and extension of economic ties with the socialist countries. Unequal relations with the United States made it increasingly necessary to resort to foreign, chiefly American, aid.

To many Turkish politicians and economists this aid at first seemed the sole salvation from financial bankruptcy, but then it became clear that each new American loan brought with it fresh shackles and increased economic—and not only economic—dependence. In the budget for 1961 American aid was envisaged in the sum of 550 million pounds, while the repayment of foreign debts called for a sum of 650 million pounds. The annual sum of redemption of foreign debts was bigger than the annual foreign aid. The latter turned into a means of sapping the national resources, into a source of internal and external economic and political difficulties. Turkey's participation in two military blocs, the militarisation of the economy and the devaluation of the Turkish pound, effected supposedly for the purpose of stabilising the country's economy, sent up the external national debt to 10,500 million pounds and the internal debt to 11,700 million pounds in 1963. This also increased the country's financial dependence on its foreign creditors.

Charles Murphy, an American politician, says that the situation is worst of all in Turkey, which has to allot 29 per cent of export earnings for the repayment of debts. Countries like Turkey, he concludes, "have already borrowed to the hilt." [33]

In 1960 Turkey's foreign debt was 25 times greater than the avai-

[32] *Экономическое положение стран Азии и Африки в 1960 г.*, Москва, 1962, стр. 268.
[33] *Fortune*, March 1963.

lable stocks of gold and foreign exchange. Of the 118 tons of the country's gold reserve only 16 tons were free, the others were mortgaged in foreign banks as security for short-term credits and advances.[34] Such is the inevitable result of the economy's militarisation in consequence of the pro-imperialist policy. The bourgeois and landowner circles of Turkey who after the Second World War accepted the Truman Doctrine and the Marshall Plan, made their country economically and politically dependent on the United States. "We became a vilayet of America and can do nothing without the permission of the Americans. We must strive for independence," [35] rightly stated Colonel Türkesh, one of the organisers of the coup in May 1960 which overthrew the Bayar—Menderes Government.

Of the many acute problems facing Turkey the one of particular significance is the question of state enterprise. Let us recall that Kemal Ataturk was an ardent proponent of developing public enterprise. He expected that by introducing the principle of *etatisme* in economic life it would be possible to create a nation "without privileges and classes".

S. Aydemir, a Turkish student of this problem, remarks that "this did not happen: *etatisme* accomplished a great deal despite thousands of obstacles but it remained only as state economic production". [36] State enterprise in Turkey, both in the past, and to a certain extent now, is above all a matter of defence, an element of national economic policy, as ex-Prime Minister Inönu has put it.

The United States has always bitterly opposed the principle of *etatisme* in Turkey. When the Democratic Party assumed office in Turkey in 1949 it decided to sell state-owned enterprises operating at a profit, to private capitalists, and the United States encouraged this step. The American monopolies launched another drive to abolish state enterprise in Turkey. A special conference of foreign businessmen arranged in the summer of 1962 came to the conclusion that "*etatisme* has outlived itself" and should be abolished. This view evoked sharp protest from democratic opinion in Turkey, and the ruling circles did not venture to support these conclusions. The so-called Justice Party, which took over power from the Democratic Party, is advocating the utmost promotion of private enterprise.

U.S. neo-colonialism continues to press in the usual direction: having bound the ruling circles by political and military commitments, the U. S. is inflicting damage on national economy and has a negative effect on progressive anti-imperialist trends in the country's internal life.

[34] *Milliyet*, April 2, 1960.
[35] *Vatan*, September 24, 1960.
[36] *Yön*, September 12, 1962.

Democratic opinion in Turkey and those who want to strengthen the country's independence are abandoning the one-sided orientation on the United States. "As a member of NATO Turkey brings more benefit to the Western bloc than to her own security", *Vatan* writes. "Turkey must revise her foreign policy ... get rid of the unbearable military expenditure.... The upper crust must see the light." [37] This realistic conclusion requires no comment.

Iran. For a long time the positions of U.S. imperialism in Iran were weaker than the British. They were considerably extended after the late war, especially after the defeat of the national-liberation movement in different parts of Iran. The United States further increased its influence in the 1950's.

U.S. aid to Iran began in 1951. The country's ruling elements saw in it material and military support for their political domination. American aid substantially rose after 1953, following the overthrow of the Mossadegh Government. By granting aid, the United States sought to gain for the American monopolies access to Iranian oil.

In 1955, the United States inveigled Iran into the Baghdad Pact (now CENTO) and in March 1959 concluded a bilateral military treaty with it designed to convert the country into a military base in direct proximity to the southern borders of the Soviet Union.

Prior to the coup in August 1953, Iran had received aid only under the Point Four Programme which in three years totalled merely $47 million. In the next three years (1954-1956) it reached $270 million. By 1962/63 Iran had received about $1,400 million through all aid channels: Point Four Programme, subsidies and donations, long-term loans of the International Cooperation Administration, the International Monetary Fund, the U.S. Export-Import Bank and the International Bank for Reconstruction and Development. [38]

The newspaper *Burs* reported that foreign loans and credits (without subsidies and donations) amounted to $580.4 million at the end of 1963. Iran's foreign debt reached $411 million at the end of 1963, that is, it nearly equals the country's annual budget. [39]

Iran's membership of the CENTO bloc has led to the country's militarisation. While in 1957/58 the military expenditure under the budget was 8,530 million rials, in 1958/59, after talks with the U.S.S.R. were broken off and a bilateral military and political treaty with the United States was signed, this expenditure rose to 11,639 million rials, or by 36 per cent in one year. [40] In

[37] *Vatan*, July 19, 1962.
[38] *Congressional Record*, December 12, 1963, p. 23226.
[39] *Burs* (in Persian), January 29, 1964.
[40] *Экономическое положение стран Азии и Африки в 1959 г.*, Москва, 1961, стр. 144.

1959/60 it again increased to 12,133 million rials and in 1960/61, to 14,257 million rials. [41] Thus, in one year this expenditure rose by 17 per cent, claiming 40.3 per cent of the budget. Moreover, the sum of 2,000 million rials was appropriated for the needs of the military and the police from non-budget sources and thus the total climbed to 16,257 million rials.

In subsequent years it remained at a very high level. In 1961/62 it amounted to 15,205 million, in 1962/63 to 15,900 million and in 1963/64 to 17,130 million rials. [42]

Even after a considerable part of the oil revenue was utilised for covering the military-political expenditure, the state budget had an unprecedented deficit. The official financial *Bank Melli Iran Bulletin* cites the following figures on the growth of appropriations for military purposes (million dollars): 1955—83; 1956—107.7; 1957—113.3; 1958—155.2; 1959—161.7 and 1960—189.6. [43] In other words, in six years they increased by 130 per cent. Economically, such a level of military spending inevitably leads to the growth of crisis symptoms.

Acceptance of U.S. military aid and militarisation of the economy have inflated the military machine, which is increasingly maintained by the resources of Iran herself. Military aid of the United States which has inveigled Iran into CENTO has compelled the country for a number of years now to use the oil revenue designated for economic development (up to 40 per cent of the total, or about 7,500 million rials) for covering the budget deficit caused by militarisation.

This is depleting Iran's meagre resources and leading to large-scale impoverishment and starvation.

Ever since 1957 it has been impossible to establish the exact budget deficit because the Finance Ministry stopped publishing figures of budget fulfilment. According to approximate and unofficial estimates, the budget deficit in 1961/62 amounted to $60—80 million, with a budget of $500 million (that is, 12-16 per cent of the budget). [44] The deficit has further increased in recent years.

Militarisation has a logic of its own: a country involved in it is unwilling to make known the mounting military expenditure and the budget deficit and seeks to cover this expenditure with funds outside the budget. Since 1959, the army has been devouring all the budget appropriations and also from 2,000 million to 3,500 million

[41] *Экономическое положение стран Азии и Африки в 1950 г.*, стр. 179.
[42] *Tehran Economist* (in Persian), 1961, No. 422; *Tehran Economist*, 1962, No. 473; *Keyhan* (in Persian), April 22-23, 1963.
[43] *Bank Melli Iran Bulletin*, 1956, No. 172; *op. cit.*, 1957, No. 182-183; *op. cit.*, 1958, No. 195, *op. cit.*, 1959, No. 206-207; *op. cit.*, 1960, No. 220-221.
[44] *New York Times*, July 1, 1962.

rials annually, or nearly 40 per cent more, in addition to the budget.

Hence it is not surprising that Iran's foreign debt exceeds $600 million and the payment of interest on old loans exceeds the receipnts under new loans. [45]

In 1961, the Iranian Government officially announced its financial bankruptcy and demanded a fresh dose of dollar aid. It had no money for economic needs and salaries to civil servants (this has become a usual phenomenon) and even lacked funds for the army.

In this trying situation the United States after considerable procrastination gave the Iranian Government a subsidy of $30 million in 1961. [46] But this money hardly told on the budget in subsequent years.

The newspaper *Sefid va siah* pointed out: "The budget deficit has placed the government in an extremely difficult position. It hardly manages to pay salaries to civil servants. The government cannot obtain U.S. help for covering the budget deficit. America refused to grant unconditional aid. The United States can render help only on condition that the funds spent will be swiftly compensated by the income of definite enterprises." [47]

In these conditions the Amini Government had to resign without having balanced the budget for 1962/63. At the same time it had to face the popular discontent owing to its refusal to abide by the Constitution and hold elections to the Majlis and owing to a quarrel with the military who criticised the Premier for being insufficiently energetic with the U.S. authorities in financially securing the interests of the army.

The grave financial position, caused by the inordinate expenditure of the army and the police, also endangered the financing of the new five-year plan which was launched in September 1962. The Iranian Government expected to receive from $500 million to $800 million of credits for carrying it out from a special international consortium which was to be set up in July 1962 under the auspices of the International Bank for Reconstruction and Development. The consortium was to consist of the United States, Britain and West Germany, but the Bank put off its organisation. The Iranian Government was asked for proof of its ability to stop the incessant rise of expenditure not covered by revenue. Moreover, it was told drastically to cut the allotments for development contemplated under the five-year plan.

Nor was the international consortium established in subsequent years. Official circles hold that Iran can obtain loans under bilat-

[45] *Keyhan International*, December 11, 1961.
[46] *New York Times*, July 1, 1962.
[47] *Sefid va siah* (in Persian), June 9, 1962.

eral agreements with the United States, France, West Germany and Italy, without the establishment of a consortium. [48]

An adverse attitude to American aid with its grave consequences for Iran has become widespread among democratic opinion in the country. *Tajabad-e Iran* (February 5, 1959) frankly wrote that Iran had to pay for this aid with oil, that the flood of American goods was strangling the unprotected national economy and the people were paying five times as much for each dollar received by way of aid: "For years Iranian oil flowed to the West and beyond the Atlantic and even if we were given an insignificant share of the profits, the flow of American imported consumer goods broke the backbone of our country's economy. For each dollar (which costs 15 rials), 85 rials are exacted from the Iranian people."

The peasants, who make up 70 per cent of the country's population, and the working class bear the full brunt of the military budget, taxation and the country's militarisation. Hasan Arsanjani, ex-Minister of Agriculture who supported the land reform sponsored by the government, has publicly said that "40 per cent of the population is starving, another 40 per cent is half-starved"; "if obstacles are put to a land reform a peasant uprising will break out." [49]

It is becoming increasingly clear that national economic problems cannot be solved when the country's militarisation connected with membership of an aggressive bloc imposes an unbearable burden upon it. While some men in Iran still cherish hopes of U.S. subsidies, loans from international monopolies and military aid, the striving to strengthen national independence is growing among the democratic sections of the population, the patriotically-minded national bourgeoisie and intellectuals. The Iranian newspaper *Azerbaijan* wrote on August 21, 1962: "Gone are the days when U.S. Government was able to acquire military bases. The invention of intercontinental ballistic missiles and spaceships has abolished borders and distances. Military bases no longer have their former significance. For this reason countries which previously pursued a one-sided policy are now revising their course, are ceasing to follow the policy of the strong states and are reinforcing the foundations of their political independence." There can hardly be any doubt that the nature of U.S. foreign policy will determine in future, too, the neo-colonialist character of American aid to Iran. Consolidation of truly national positions and understanding of the historic importance of friendship and cooperation with the U.S.S.R. will lead to an improvement of the situation in Iran.

Pakistan. In Pakistan Washington seeks to rely on the Right-wing sections of the big bourgeoisie and the landowners. Pan-Islamic circles are also playing a big part in this respect. The bloc of

[48] *Iran Press*, July 17, 1963, No. 466.
[49] *Imroze* (in Persian), July 14, 1962.

these forces is intimately linked with foreign, chiefly U.S., capital. The influence of the compradore bourgeoisie and feudal landowners connected with British capital has considerably declined. Today the trading and industrial bourgeoisie and the middle landowners have come to the forefront.

U.S. economic penetration of Pakistan is gradually ousting Britain. Pakistan is of definite economic importance for the American monopolies, but they, like the U.S. ruling circles, are mostly concerned with Pakistan as a strategic bridgehead.

The growing economic contradictions, the demand for national autonomy by the population of East Pakistan, the unsettled basic issues of internal development—the land question, provision of employment to millions of people, the attainment of high growth rates in industry, provision of food, etc.— have produced a bitter political struggle within the country.

American diplomacy is constantly playing on the contradictions between Pakistan and her neighbours, India and Afghanistan. It also makes use of the internal contradictions to bring pressure to bear on the country's ruling element.

American influence in Pakistan increased after she joined SEATO and CENTO. In 1959, the United States concluded a new bilateral military agreement with Pakistan. Pakistan's ruling circles have accepted American military aid in order to bolster up their positions within the country and to create what seemed to them advantageous "positions of strength" for resolving disputes with the neighbouring countries.

Although figures of military aid to Pakistan are not published and U. S. statistics keep them secret, it is possible to establish from general data that military and so-called economic aid totalled about $2,230 million from 1945/1946 to 1962/63. This is nearly 40 per cent of all the military aid to U.S. allies in the Middle East. Only Turkey has received more.

U.S. economic aid to Pakistan up to mid-1959 from all sources (subsidies, credits of the Export-Import Bank, food surpluses, loans of the Development Loan Fund and the International Bank for Reconstruction and Development) amounted to $1,498 million, of which $1,166 was given directly by the United States. Supplies of food, cotton and other consumer goods comprised 60 per cent. [50] Loans of the I.B.R.D. and the Export-Import Bank have not been of any telling importance for industry. They have been granted for the development of the transport system, the reconstruction of ports and for power supply.

U.S. military aid goes for the modernisation of the armed forces, the building of strategic roads, airfields, military settlements, etc.

[50] *Политика США на Ближнем и Среднем Востоке*, стр. 316, 319, 322.

Being a member of two aggressive blocs, Pakistan is systematically increasing budget appropriations for military purposes by cutting allotments for economic needs. As a rule, the country's military expenditure is three times greater than U.S. military aid. In 1954/55, the direct military expenditure amounted to Rs. 710 million, in 1957/58 it reached Rs. 808 million, or 54 per cent of the budget. In addition, Rs. 192 million were spent for military purposes from budget allotments for capital construction and money received from the sale of U.S. food surpluses delivered under Public Law 480 arrangements. In 1958/59, the military expenditure rose to 56 per cent of the budget, and with the additional appropriations, to 58 per cent of the budget. [51]

In 1960/61, direct military spending increased to Rs. 1,012 million, or 59 per cent of the budget, and in 1961/62 it already exceeded Rs. 1,100 million. [52]

Budget deficits have sent up indirect taxes and caused inflation.

In Pakistan, as in other countries getting American aid, great dissatisfaction is aroused by its terms, specifically expressed in the slogan "buy American", although prices of U.S. goods are substantially higher than average world prices. In view of this, *Karachi Commerce*, mouthpiece of Pakistan's businessmen, calls for a renunciation of the one-sided foreign trade policy and the conclusion of bilateral agreements with all countries if they are ready to sell goods, make settlements in rupees and buy Pakistani goods. [53] The country's unequal position in the world markets is reflected in the results of foreign trade which are practically disastrous for Pakistan, [54] tied as she is to American and British monopolies. K. S. Hasan, a Pakistan economist, says: "... For a given quantity of goods exported by the raw material producing countries, these countries get ever fewer manufactured goods in exchange." [55]

The ruling circles are afraid that Pakistan may become isolated from the independent Asian states and they are trying to forestall this by extending their influence in the Islamic world. Small wonder that in these conditions Pakistan ruling circles at times make a show of opposition to the United States, as expressed in Pakistan's participation in the Afro-Asian solidarity conferences, in speeches against colonialism by her delegates to the United Nations, refusal to attend the CENTO foreign ministers' conference at the end of 1962, etc.

That Pakistan's ruling circles are bound too tightly to the United States is arousing protests within the country. This is also opposed by the advanced spokesmen of the working class, progressive intellectuals and the most patriotic sections of the national bourgeoisie. There is growing friction between the foreign monopolies and the local commercial and industrial bourgeoisie, for which there are deep-seated causes. The latter are becoming increasingly interested in the independent exploitation of the home market and the establishment of their control over foreign trade. They often voice dissatisfaction with the terms of U.S. aid and also with Washington's opposition to the building of some heavy industry plants in Pakistan.

In recent years the American monopolies noticeably tightened their grip on the Pakistan market, became the country's main creditor and took first place in foreign trade, relegating Britain to second place. This has engendered a keen struggle within the ruling element as regards the orientation of foreign economic policy. The ruling classes are trying to keep Pakistan within the Commonwealth and the sterling area while using more extensively U.S. aid and capitalising on American-British contradictions.

Private foreign capital is anxious to penetrate branches which yield a high profit and a swift turnover, namely, insurance, banking and trade. Of the Rs. 1,559 million foreign investments in 1960, only 19.6 per cent were in the manufacturing industry and 47 per cent in trade and banking. In 1956, the share of foreign capital in the manufacturing industry was 28 per cent. In other words, it declined despite the certain privileges the Pakistan Government granted private foreign investors so as to attract them to industry.

The country's grave economic situation, failure to attract private foreign capital into industry, growing foreign competition in the home market and abroad, and the huge losses from non-equivalent trade are producing a striving among the commercial and growing industrial bourgeoisie and also the landowners who are turning into capitalists, to escape U.S. pressure and normalise relations with the U.S.S.R. and the other socialist countries.

A process whereby the influence of the democratic anti-imperialist forces is extended is under way in Pakistan. This is facilitated by the mounting national-liberation struggle in countries of Southeast Asia, the Arab East, Africa and Latin America. Anti-imperialist sentiments have been on the increase throughout Pakistan.

Even some men among Pakistan's ruling circles at times voice dissatisfaction with the scale and terms of American aid and also with the American policy of aid to India. President Ayub Khan has reproached the U.S. leaders for their unwillingness and inability to understand that Pakistan deserves greater aid than India, that the United States is "encouraging" the neutrality of India which allegedly turns against the interests of Pakistan and the United States. [56]

[51] *Экономическое положение стран Азии и Африки в 1958 г.*, стр. 211.
[52] A. Siddiqi, *Pakistan Seeks Security*, London, 1960, p. 64; *Dawn*, July 1, 1961.
[53] *Karachi Commerce*, November 28, 1959.
[54] *Karachi Commerce*, November 14, 1959.
[55] K. S. Hasan, *Pakistan and the United Nations*, New York, 1960, p. 243.
[56] *New York Times*, May 31, 1961.

In a word, Pakistan ruling circles insist on getting privileges on the grounds of their friendship with the U.S., in contrast to India which "is not a friend".

Pakistan asked the United States for $670 million to carry out her Third Five-Year Plan, but received a promise of $320 million, besides the $230 million pledged earlier. Ayub Khan's visit to the United States in July 1961 failed to yield any results: aid was given only to the tune of $550 million through an international consortium. [57]

American aid with its built-in fomenting of the cold war intensifies anti-communist sentiments, strains relations between neighbouring states and creates deep conflicts. [58]

A critical attitude to military blocs in Asia is spreading in Pakistan among wide sections and reaching the ruling circles. *Dawn*, for example, has stated that Pakistan does not have the slightest interest in pacts which are practically useless; Pakistan should get out of these blocs which are dangerous as well as useless. [59]

Jang, a Pakistan newspaper, has voiced the following sober thoughts in a leading article: "The time has come to solve the question, how advisable is further participation in military blocs, having in view the country's national interests.... Pakistan has no issues in dispute with Russia, but she has become a member of military blocs which the Western powers are directing against the U.S.S.R. The question arises, how correct is Pakistan's policy of participation in blocs, in other words, of sacrificing herself for the sake of the military aims of the United States.... The point is not that Pakistan urgently needs Soviet aid.... Does Pakistan have to act rashly and invoke Russia's displeasure by remaining in the blocs? Even if Pakistan does not become a friend of the Soviet Union, why does she have to be its enemy? We hope that responsible directors of Pakistan's foreign policy will take steps to get out of the blocs." [60]

The press in the United States and Southeast Asia is discussing the crisis and disarray in SEATO. A *New York Times* commentator has pointed out that SEATO, originally "patched together" as an alliance against communism, was falling apart. "SEATO's mortal illness derives from its unreal origins.... SEATO is not a going concern but a sham." [61] The *Washington Post* reported that the Pentagon and the C.I.A. demanded bigger U.S. aid to Asian allies to prevent their breaking away. [62]

[57] *Ibid.*
[58] *New York Herald Tribune*, June 15, 1961.
[59] *Dawn*, January 14, 1962.
[60] *Jang* (in Urdu), April 16, 1961.
[61] *New York Times*, May 30, 1962.
[62] *Washington Post*, June 4, 1962.

The small efficacy of American economic credits to Pakistan and constant pressure to make her increase the military expenditure under her own budget, could not but evoke sharp reaction on the part of Pakistan's ruling quarters. But this reaction most likely is also prompted by a desire to bring pressure to bear on the creditor. This is all the more necessary since foreign exchange needed for carrying out the five-year plan is lacking. The expenditure side of the plan is to be covered to the extent of 40 per cent by foreign credits. They are given, as a rule, for projects approved by the United States, and not for those the country urgently needs.

Criticism of U.S. policy, emanating from the ruling quarters, naturally does not remain unanswered. After Congress approved a new bill on the organisation of the U. S. Agency for International Development, the late President Kennedy made a statement directed against "neutralist tendencies". He said that the United States was "determined to prevent certain nations from adopting neutrality". [63] This statement was directed not against countries which had already chosen the road of neutrality and were more or less consistently following it, but against states whose progressive public opinion was demanding abolition of American control. Washington is constantly resorting to economic and military pressure as a means of paralysing the growing neutralist tendencies among its Asian allies.

Pakistan remains a country of exacerbated social contradictions and striking economic disproportions which date back to the time when it was formed. They were subsequently intensified. In a country with an unsolved land problem, acute food difficulties and extremely slow growth of industry the ruling circles entertained hopes that big U.S. aid would smooth over the contradictions and enable them to get along without radical social changes. The results of more than 10 years show that these hopes are illusory. Popular illusions about the favourable effect of American aid are also gradually vanishing.

The period when the United States was regarded as the most powerful country, able to impose its will by military force or economic pressure on "recalcitrants" striving for genuine independence, is coming to an end in Pakistan too.

Thailand. Under the agreement signed in 1950, Thailand's ruling circles undertook to participate in the military plans of the United States, placing their armed forces under the control of American instructors. This policy was consummated in 1954 by Thailand's joining SEATO and the conversion of the country into a bridgehead for struggle against the national-liberation movement in Indochina and Southeast Asia. It is not by chance that Bangkok has become the SEATO headquarters. Here plans are elaborat-

[63] *New York Times*, November 17, 1961.

ed for struggle against the independence of Laos, Cambodia, Indonesia, Burma and other peace-loving countries.

By 1962/63, Thailand had received from the United States $501 million, or 18.7 per cent of all military aid to Southeast Asia. In view of its strategic position in this area as the major bridgehead of the United States, Thailand is regularly getting big state subsidies from Washington. By 1962/63 they reached $361 million. [64]

That American loans and subsidies are primarily of a military nature is a source of growing dissatisfaction. The ruling classes have demanded bigger economic aid and large-scale financing for economic development programmes. The United States did not undertake to finance Thailand's economic development plans drawn up in 1952 and 1954, pointing to the export of rice, tin and rubber as possible sources of foreign exchange. This created friction in U.S.-Thailand relations. In 1955-1956 Washington, wishing to smooth over relations, gave Thailand $35 million as a "gift" in exchange for local currency.

Thailand was allowed to use part of the American money for purchases of goods outside the United States. This has somewhat pacified the ruling circles. But the policy of the American monopolies which are beating down the prices of tin and rubber, Thailand's chief exports, is a constant and deep source of displeasure of Thailand's bourgeoisie. The exports by the United States of its surplus rice to the world market, including traditional markets of Thailand (India, Pakistan and Indonesia), are also adversely affecting her trade and foreign exchange receipts. An embargo on trade with socialist countries was imposed on Thailand in 1951. Naturally, demands resound in the country for the restoration of free international trade and a lessening of economic dependence on the United States.

The ties of the country's ruling circles with the aggressive plans of the U.S. imperialists are sending up military expenditure. Thailand's participation in the aggressive war of American imperialism against the Korean People's Democratic Republic cost the country about 2,000 million baht (over $100 million).

After Thailand joined SEATO, its military spending substantially mounted, which is arousing discontent among diverse sections of the population. In 1950, only 1.4 per cent of the national product went for so-called direct military needs. In 1958, the figure rose to 2.9 per cent [65] and in 1961 it exceeded 3.5 per cent.

In 1961, budget appropriations for military purposes amounted to over $50 million; in 1962 to $76 million and in 1963 to $79 million. [66]

[64] *Congressional Record*, December 12, 1963, p. 23226.
[65] *Economic Survey of Asia and the Far East 1960*, Bangkok, 1961, p. 83.
[66] *U.N. Statistical Yearbook*, 1963, p. 578.

The anti-democratic coup in 1958 placed in office the group most subservient to the United States. Closely connected with reactionary elements and representing their interests, this group found in the United States support against the democratic movement in its own country, against the forces of social progress. The ruling group of Thanarat in effect revoked the constitution, eliminated parliament, banned political parties, trade unions and the opposition press and imprisoned and killed many progressive leaders.

The situation in Thailand is increasingly complicated by U.S. provocative policy which seeks to involve it in military gambles against neighbouring states. American politicians are trying to get the consent of the ruling military group to the deployment in the country of nuclear-tipped missiles directed against the socialist and other peace-loving countries.

As in Pakistan, sentiments in opposition to the United States are arising among the ruling circles. Thailand's Foreign Minister stated that neutrality was more attractive because the neutrals were treated better than foreign allies. [67] At any rate, a critical attitude to U. S. policy is on the increase.

Philippines. When the United States launched the cold war it was seriously concerned with preserving the Philippines as its military and political base in Southeast Asia. The presence of U.S. troops in the Philippines remained a decisive factor in suppressing the national-liberation movement in the Philippines itself and in other Southeast Asian countries. The United States also had great interest in the economic exploitation of the Philippines. Under a special act which tied the economy of the Philippines to the United States, unlimited possibilities for U.S. exports to the country's market were opened. Under the guise of affording equal opportunities to American and local capital, the U.S. monopolies have intensified the plunder of the country along neo-colonialist lines.

The U.S. monopolies operating in the Philippines are opposed to the economic policy of the government aimed at extending state enterprise in industry and construction.

As for American aid, the Philippines Congress as early as 1956 demanded that the government be given the right to determine the sum and the purposes for which it is to be used. [68] Naturally, this did not resolve the problem.

Up to 1962/63 the Philippines received $427 million of U.S. military aid, or 16 per cent of the total given to Southeast Asia. In addition, the Philippines received $142.8 million of state subsidies, loans and credits from the United States for the maintenance of the existing regime. During the same period the influx of private

[67] *New York World Telegram and Sun*, October 6, 1962.
[68] *Congressional Record*, July 13, 1957.

capital from the United States amounted to $342 million (54 per cent of the entire influx into Asia). These figures speak for themselves.

Non-military aid to the Philippines has been given by the United States in goods (85 per cent) and technical services (15 per cent).[69] Between 1946 and 1963, the military expenditure in the budget of the Philippines rose from 93 to 204 million pesos.[70]

The foreign trade expansion of the United States which is resulting in the capture of the Philippines market by the American monopolies is arousing discontent. The need for developing trade with the socialist countries, which on Washington's orders has been banned, is increasingly voiced by influential circles of the Philippines bourgeoisie.

The policy of converting the Philippines into a military base of the United States is evoking popular dissatisfaction. This has resulted in a revision of the status of U.S. bases in the islands and reduction in their number. Nevertheless the Philippines remains a dependent country. The biggest U.S. naval and air bases are located on Luzon.

In September 1958, the government proclaimed the principle of its new policy—"Filipinos first."[71] To a certain extent it disturbed American businessmen, but already in 1962 control over foreign-exchange operations was lifted and the peso was devalued. This made it easier to repatriate U.S. capital and transfer profits to the United States. At the same time this worsened the position of the young Philippines industry inasmuch as foreign-exchange control afforded it some protection.

President Macapagal agreed to the participation of Filipino troops in suppressing the national-liberation movement in South Viet-Nam. In 1962, the Philippines Government, in appreciation of its loyalty to the United States, was given a big loan of $300 million by international financial organisations and U.S. banks.

Despite the striving of the national bourgeoisie for greater economic and political independence and the aggravation of their contradictions with the United States, the country's ruling circles continue to toe Washington's line on major questions of foreign policy.

Patriotically-minded people among the ruling classes realise that the situation in the Philippines is a model of contemporary U.S. neo-colonialism when state sovereignty is combined with imperialist oppression of the country. J. Laurel, a well-known bourgeois leader, has said that the Philippines was under new oppression,

[69] *Sunday Times Magazine*, December 18, 1960.
[70] *U. N. Statistical Yearbook*, 1963, p. 576.
[71] *Manila Chronicle*, November 3, 1958.

more subtle and therefore more abominable, but accompanied by professions of friendship.[72]

The policy of the United States in Southeast Asia is determined by two aggressive aims. It wants to entrench itself in the Philippines, Thailand, South Viet-Nam and some other countries, to enmesh them in the nets of military aid, station on their territory U.S. armed forces, above all its military and political instructors and advisers, and to create an alliance of bellicose reactionary forces from the ruling circles of the dependent countries directed against the socialist states and the national-liberation movement. Sulzberger has said that the liberation movement and communism were thoroughly undermining U.S. influence in Southeast Asia.[73]

Washington is also trying gradually to oust the old colonial powers—Holland, France and Britain—from this area, to grab their "legacy", capture key positions in the economy of Australia, New Zealand and Japan and tie them politically to the United States.

* * *

The traditional presidential messages to U.S. Congress on questions of foreign aid usually reflect the trend of Washington's foreign policy.

Of interest in this respect is President Johnson's message of March 19, 1964.[74]

The U.S. aid programme is openly criticised in the overwhelming majority of the recipient countries. The American ruling circles too are deeply disappointed. The colossal funds expended have won the United States neither friends nor the respect of the nations. On top of this recently came the wrangles between Washington and its closest NATO allies concerning the forms, methods and trends in using aid as a weapon in the struggle for spheres of influence and markets.

It is in this setting that President Johnson sent his message to Congress.

U.S. Defence Secretary McNamara speaking before the House Foreign Affairs Committee on March 26, 1964, presented arguments to back the President's message which asked Congress to appropriate another $ 1,000 million for military aid to U.S. allies in 1965. What were these arguments?

McNamara said that the security of the United States demanded that it should have strong allies all over the world. To "contain communism" in Europe, the so-called free world had the U.S. nuclear forces, and to preclude support to guerrilla wars and up-

[72] *Manila Chronicle*, April 24, 1958.
[73] *New York Times*, May 30, 1962.
[74] Cf. *Washington Post*, March 19, 1964.

risings in other parts of the world the United States was rendering aid, both military and economic, to its allies.

U.S. global strategy always proceeded, especially as regards limited wars, from the existence of allied armed forces.

McNamara added that if the United States was appropriating $50,000 million for its own armed forces, how could it refuse a mere two per cent of that sum for creating a critically important aid complex for fighting guerrillas, rebellions and secret aggression? He sought to intimidate public opinion by claiming that if the $1,000 million was not allotted, the U.S. Government would have to use its own armed forces.

The cynicism of this line of reasoning reached its apex when the Defence Secretary said that the foreign aid programme was the best means for making certain that American boys in uniform would not have to fight.

The main argument is crystal-clear: it is necessary to hire for dollars local mercenaries, to equip them with U.S. arms, place them under the command of American military advisers and officers—and also to utilise the feudal-bourgeois compradore element in order to stop and paralyse the national-liberation movement which the U.S. politicians brand as "communist aggression".

McNamara said he was well aware that Congress and possibly the American people were getting tired of the constant burden of the foreign aid programme; but he quoted Johnson to the effect that they had no intention of inflating their request but asked only what they needed and hoped to get it.

It will be recalled that despite the conclusion of the Clay Committee, set up by President Kennedy in 1962 to study questions of "strengthening security" and increasing outlays for this purpose, Congress, when examining the contemplated budget appropriations of $4,500 million for foreign aid in 1964/65, requested by the government, cut it down to $3,000 million, allowing $1,000 million for direct military aid. In this connection McNamara said: "We are presenting a request of only $1 billion for fiscal year 1965 solely because the Congress has made it crystal-clear to the Executive Branch that it is unwilling to appropriate a larger amount."[75] Together with the unexpended money for the past period under the budget item, the sum for which the Administration was empowered to assume new commitments under the military aid programme in 1964/65 totaled $1,160 million. The sum of $2,400 million was earmarked for economic aid, the smallest amount since 1948 when the Marshall Plan was introduced. This reduction of the initial application, inevitable under the given conditions, was perhaps the limit of the realism evident in the President's message of March 19, 1964. On all other points the message proceeded from the old policy principles.

[75] *Washington Post*, March 26, 1964.

About two-thirds of the military aid—$745 million—was to be given as subsidies to 11 "first-category" countries which, in the Pentagon's opinion, are in the frontline of defences along the southern and eastern perimetre of the "communist bloc". These 11 are Greece, Turkey, Iran, Pakistan, India, Thailand, South Viet-Nam, Laos, Philippines, South Korea and the Chiang Kai-shek clique on Taiwan.

Speaking of this sum, President Johnson stated in his message: "These funds are a key to the maintenance of over 3.5 million men under arms, raised and supported in large measure by countries receiving the assistance."[76] President Johnson and Defence Secretary McNamara try to justify the use of the aid programme for interference in the affairs of other countries by the need to protect U.S. "vital interests" in the struggle against communism. This threadbare screen is again dragged out to conceal the neo-colonialist aims of the American monopolies.

Aid is given to carefully selected countries with the object of supporting the most reactionary, anti-national puppet regimes in South Viet-Nam, South Korea and on Taiwan.

The advantage the United States derives from aid to other countries is that over 80 per cent of the money allotted under this programme has to be spent in the U.S.A.

The U.S. aid programme remains unchanged: it is an instrument of imperialism, a tool of political and economic pressure and active meddling in the domestic affairs of other countries. This programme is encountering growing resistance in the United States and is crisis-bound.

This crisis has reached a point where the President and Defence Secretary have to fight for every item of this programme, prove the expediency of the concrete outlays and assure Congress that the Administration itself has weeded out all extravagances, relieving Congress of the need to trim down the requested appropriations. More than that, now the very principle of aid to foreign states has to be defended; the question in general is, can the United States afford the outlays for aid.[77] The *New York Times*, behind which stand the monopolies interested in military aid, welcomed the President's determination not to permit any haggling on this score and his threat to turn to Congress again and again if the latter persisted in its desire to make "false saving".[78]

For nearly 20 years Washington has been fanning the war psychosis and anti-communist sentiments. The ordinary American is being

[76] *Washington Post*, March 19, 1964.
[77] *New York Times*, April 23, 1964.
[78] *Ibid.*

constantly misinformed and indoctrinated. The two bourgeois parties are at loggerheads on many home issues. In international affairs and on questions of foreign aid the bi-partisan policy of "armed containment of communism" has always been applied. The rendering of utmost aid to reactionary forces everywhere has been a prime object of U.S. foreign policy. In this situation anti-communist demagogy has paid political dividends for many years.

But a change has been taking place in the United States recently. The views of some politicians on the tasks and methods of foreign policy are being modified. The speeches made by Fulbright, Morse, Mansfield and Gruening in the U.S. Senate in 1964, are indicative of the growing dissatisfaction with the country's ossified foreign policy. The people demand new constructive steps and an abandonment of attempts to adapt the present policy to the traditional cold war delusions of the Dulles period. A slow and agonising process is under way to dispel the fog of misinformation and deception. The struggle in the Congress on questions of foreign aid also somewhat reflected the growing crisis in U. S. foreign policy.

* * *

U.S. military aid inevitably leads to the militarisation of the economy and the saddling of the recipient countries with an unbearable military expenditure of their own. In 1957, for example, their own military expenditure on the average was six times greater than American military aid.[79]

Statistics cited in the U.S. Congress, relating to 1957/58, show that Turkey, Greece, Iran, Iraq (prior to the 1958 coup), Pakistan and Saudi Arabia spent in one year $1,018 million of their own for military purposes, while receiving $ 332 million from the United States.[80] In subsequent years the situation has not changed. The United States is constantly trying to cut its subsidies and force its allies to utilise their own budget resources, oil revenue, export receipts, etc. in order to increase their war potential.

What relatively sound economic and social development can there be in the most backward Asian countries if they are compelled by Washington to spend a considerable, at times the main, part of their meagre accumulations for non-productive purposes? The militarisation of these countries could be understood if they were threatened with outside attack. But no Asian country belonging to pro-American blocs has ever been threatened by anyone. Throughout the postwar period none of these countries have been the object of outside aggression. Only the United States is waging a struggle against the liberation movement within them.

Militarisation does not promote an improvement in the economic condition of the less developed countries which are U.S. allies. W. Douglas writes that the picture "has not been changed by the billions we sent abroad".[81]

The suffering of the people is on the increase, and discontent, spreading among the patriotic sections of the population, often breaks to the surface in the form of anti-feudal and anti-imperialist actions. Douglas says: "When the feudal overlords heard these voices of protest from their villages and sounded the alarm of 'communism', we poured in more aid and more arms."[82]

The most selfish aspects of U.S. military aid are usually carefully concealed. Military aid is rendered by Washington formally free of charge, but in return it brings a big saving because it makes it possible to exploit the military and economic potential of its allies saddling them with heavy military expenditure.

According to official figures, American taxpayers have to contribute on the average $3,950 annually for the maintenance of one American soldier in the United States. If the soldier is sent abroad his maintenance cost rises to $6,600 annually.[83] On the other hand, the maintenance of local soldiers in the armies of member countries of military blocs is immeasurably cheaper for the United States — in Taiwan $163, Turkey $189, South Korea $233, Iran $354, Thailand $400 and South Viet-Nam $932.[84] For each $10,000 the United States can keep under arms only 2.5 American soldiers within the country or 1.5 abroad but as many as 61 Chiang Kai-shek soldiers, 53 Turkish soldiers, 43 South Korean, 28 Iranian, 25 Thai and 11 South Vietnamese.

It is not hard to imagine how great the direct outlays of the United States for the maintenance of American troops abroad would be if it were not helped by the ruling circles of some Asian countries who are robbing their poverty-stricken people. The maintenance of 1,460,000 men in the armed forces of the five pact members (Philippines, Thailand, Pakistan, Turkey and Iran) would cost the United States $ 9,600 million annually, i. e., almost four times as much as the average annual appropriations for direct military aid in recent years.

A commission under General William Draper in a report prepared by Columbia University specialists and submitted to the Senate Foreign Relations Committee, points out that the United States

[79] Less developed countries accepting U. S. military aid are spending six dollars of their own money for each dollar received by way of that aid (see *Foreign Aid Program. Compilation of Studies and Surveys. The Military Assistance Program of the United States*, Washington, 1957, p. 120).

[80] *Mutual Security Act of 1958. Hearings before the Committee on Foreign Affairs*, Washington, 1958, p. 291.

[81] W. O. Douglas, *Democracy's Manifesto*, p. 12.

[82] *Ibid.*

[83] *Mutual Security Act of 1957. Hearing before the Committee on Foreign Affairs*, Washington, 1957, p. 852.

[84] *Foreign Aid. Facts and Fallacies*, Washington, 1961.

would spend much more if it tried to create an equivalent of the present defence potential of the "free world" only with its own forces and not through the foreign aid programme.[85]

U.S. ruling circles, in throwing a ring of military bases around the socialist and anti-imperialist peace-loving states and seeking to crush national and democratic movements in Asia, are investing approximately 15 per cent of their own funds in this reactionary, futile and costly undertaking. In other words, the United States is creating an adequate defence for a world perimetre of vital importance to itself at the cheapest cost—i. e., at the expense of its Asian allies enmeshed in the net of anti-communism, which have to invest the other 85 per cent (from $ 4,000 to $ 5,000 million annually) into this foredoomed undertaking.

U.S. millitary aid with its entire intricate machinery (pacts and treaties, delivery of weapons and military supplies, construction of bases and communication facilities, maintenance and training of troops, instruction in the use of modern weapons, etc.) is constantly driving the economically less developed countries to make financial outlays which are useless and, moreover, harmful for their weak economy. At the same time the military appropriations of these countries create a very profitable market for the American monopolies engaged in the manufacture of armaments and war supplies.

The idea, spread in the United States and allied Asian countries, that American military aid eases the economic burden of maintaining the defence effort, is absolutely false. It is deliberately calculated to mislead public opinion.

The financial expenditure of the United States and allied countries for military purposes of course temporarily increases the capacity of the home market, chiefly in view of long-term investments in the construction of ports, motor roads, airfields, military bases, industrial enterprises, repair and other facilities which serve military needs directly in Asia. This creates in some of them a boom accompanied by corruption and speculation among the propertied classes. Usually such an economic situation artificially created by dollar injections ends badly: it deeply deranges and saps the sources of internal accumulation, catastrophically depletes the state resources, greatly increases the internal and foreign national debt and the budget deficit covered by inflation-causing financing, sends up wholesale and retail prices, devalues local currencies with a resultant sharp worsening in the material and social conditions of the workers, peasants, intellectuals, middle strata and part of the national bourgeoisie. It is indicative that no government in Asia which has solidly bound itself to pro-American military blocs, can exist without an annual injection of dollar aid of a military nature.

[85] Cf. *Congressional Record*, March, 1959.

The dependence on American aid of the industry, agriculture, home and foreign trade, finances, investments and the budget of countries tied to the United States enables Washington to exert strong influence on the internal situation in these countries.

Forces championing an independent national policy and non-participation in military blocs are gradually maturing in all Asian countries whose ruling circles have bound themselves to the United States. This, in fact, is the main reason for the series of deep political crises and coups which have occurred in recent years in countries of the Far East, Southeast Asia and the Middle East.

The popular movements in Iraq, Iran, Turkey, Jordan, Pakistan, South Viet-Nam, Thailand, South Korea and elsewhere have ended in a breach of the imperialist front in some countries, merely a Cabinet change in others or in the temporary suppression of the people by military and police terror. On the whole the movement continues, creating political crises. Realistically-minded W. Douglas, who in recent years visited Turkey, Iran, Iraq, Pakistan, the Philippines, Thailand and Malaya, has arrived at the conclusion that a radical reappraisal of American foreign policy is needed because the United States "can be twice as strong as all the great powers combined and still witness Asia, Africa and South America in the throes of revolutions that our (American.— *R. U.*) armaments cannot stop".[86]

Douglas is by no means alone. E. Stillman, former State Department official, and W. Pfaff, editor of the American *Commonweal* magazine, bemoan the fact that the Asian countries do not share U.S. principles, inasmuch as today it is the United States that is opposed to neutrality and nationalism. Admitting that the United States has erred "measuring every event on the single scale of communism/anti-communism", these authors arrive at the same realistic conclusion that U.S. policy is suffering a failure.[87]

Many of the more sober-minded Asian political leaders, temporarily ensnared by American imperialism, increasingly realise that in the present situation membership of military-political blocs is of no benefit even militarily, let alone economically. The policy of peaceful coexistence and cooperation with the socialist countries is increasingly winning sympathy not only among broad sections of the people but also among the commercial and industrial bourgeoisie and among representatives of the ruling circles who are critically reappraising their policy.

There are many reasons for the growing critical attitude towards the United States. These include a depletion of internal economic resources, inefficacy of American aid and the resultant decline in the moral and political prestige of the United States.

[86] W. O. Douglas, *op. cit.*, p. 47.

[87] E. Stillman, W. Pfaff, *The New Politics. America and the End of the Postwar World*, New York, 1961, p. 35.

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That no Asian member of CENTO or SEATO has become richer and more independent as a result of U.S. aid is generally known.[88] At the same time countries which are not members of blocs and are not accepting U.S. military aid have achieved considerable economic progress. This naturally arouses doubt among the public in the bloc countries, and to a certain extent among their ruling circles, concerning the correctness of the policy which binds these countries to American imperialism. The growing scientific, technical, economic and military might of the Soviet Union and the entire socialist community is a major reason for the growth of opposition sentiments to the United States. The change in the balance of forces in favour of the peace-loving socialist community which is working for general disarmament graphically demonstrates the uselessness of the colossal outlays of internal and outside resources for military purposes and the expediency of channelling them to the needs of economic and cultural development.

The United States has difficulty in restraining the tendency of its allies to deviate from their pro-American foreign policy. Developments in Turkey, South Korea and South Viet-Nam have compelled the United States to consider the great strength of the awakening national-patriotic awareness of the people.

* * *

Let us summarise the processes taking place in the countries whose ruling circles pursue an independent foreign policy. They comprise the majority of the population in the Asian non-socialist states and include India, Indonesia, Burma, Cambodia, Laos, Ceylon and others. In the past these were classical colonies (in contrast to Turkey, Iran and Thailand). In some of them an influential class of national, chiefly industrial, bourgeoisie (India) was formed already under colonial conditions; in others this process has been slower (Indonesia, Ceylon, Burma), and in countries like Laos and Cambodia internal capitalist development was in an embryonic stage.

A working class has formed in India, Indonesia, Burma and Ceylon. In the 1920's and 1930's it gave rise to Marxist-Leninist parties which are exercising considerable influence on social life. For several decades now the working class and the Communist Parties of these countries have played an important part in the struggle for national liberation and against imperialism.

The people of Indonesia, Burma and the Indochinese countries, having overthrown the Japanese invaders, waged a protracted armed

[88] In a message to Congress, Kennedy stated on this score: "Many of the nations we are helping are not much nearer sustained economic growth than they were when our aid operation began" (*New York Times*, March 23, 1961).

struggle against the Dutch, British and French colonialists who tried in vain to restore their domination after the end of the Second World War. The people of Laos, in armed struggle against reactionaries in the pay of the United States, asserted their right to independence and neutralism.

The national-liberation movement attained great scope, and its mass character and persistence ultimately enabled these countries to win independence. The struggle of the people for internal social reforms is combined here with demands for the utmost consolidation of political independence. The parties and organisations of the working class, peasants and intellectuals are demanding democratic reforms which deepen the national-liberation revolution, in order to solve fundamental social problems.

Representatives of the patriotic national bourgeoisie and middle groups of these countries, jointly with the working people, actively participated in the mass national-liberation struggle; bourgeois and petty-bourgeois nationalist organisations also took part in the armed struggle for independence (Burma, Indonesia and others). The national governments in these countries have eliminated many international and internal obstacles raised in their way by Western monopoly capital. They treasure their gains and their sovereignty and do not wish to give it up.

These countries are cooperating with the socialist states. They are also interested in economic cooperation with the capitalist powers and are trying to get economic aid from them on acceptable terms. They want to utilise the contradictions between the two world socio-economic systems. These countries have chosen the policy of neutrality and are applying it more or less consistently. Far-sighted representatives of the ruling circles of Asian neutral countries are aware of the expansionist aspirations of the imperialist powers behind the aid policy, and they have repeatedly rejected offers to participate in pro-Western military pacts.

While cooperating with the West, they want aid in forms which, in their opinion, do not tie their hands in foreign affairs and do not prevent internal economic development on a national basis. Addressing the U.S. Congress on May 17, 1956, President Sukarno of Indonesia said: "...We declare with utmost resolution that we will not trade for any material benefits a single particle of the freedom we won at so high a price, because this freedom is more precious to us than all the goods that any country could give or sell us."[89]

Nehru, after signing a loan agreement with the United States early in 1958, declared that "India would not sell her foreign policy for foreign gold".[90]

[89] Сукарно, *Индонезия обвиняет*, Москва, 1956, стр. 346.
[90] *New York Times*, February 2, 1958.

The ruling circles of the neutrals are trying not to make concessions to the imperialist powers which would run counter to the basic class interests of the national bourgeoisie and to a certain extent to the interests of the nation. They have to take into account the growing resistance to foreign influence offered by the organised forces of national democracy—the working class, the peasants, the communists and other progressive parties.

The terms for accepting foreign aid and the possible risk following from this were mentioned by Nehru in the Indian Parliament on December 15, 1952: "Provided we are strong enough ourselves, I really do not see why we should be afraid of accepting the kind of aid that would help us to progress more rapidly. With that aid we could do many things which we would otherwise have to postpone. Foreign aid involves a slight risk, not so much of being tied down as of compromising in a moral sense. There is no reason, however, why we should be afraid of accepting foreign aid, if it does not influence our policy or activities in any way."[91]

In accepting or rejecting aid offered by imperialist powers, the ruling circles of the developing countries do not proceed solely from considerations of a moral sense. Moreover, they do not always proceed even from purely economic considerations. They take account of political considerations which often are of equal—and even greater—importance.

In the long run the issue is, who, for what purpose and on what conditions, is rendering and accepting aid and whether it consolidates the national independence and international position of a given country and strengthens peace and friendship among nations or, on the contrary, inflicts harm on them.

In an effort to find new forms of fettering the neutrals economically so as to weaken their anti-imperialist struggle, the imperialist ideologists and politicians are utilising the internal sharp contradictions inherent in the national-liberation movement led by the bourgeoisie. These contradictions develop among the ruling circles themselves, and imperialism, moreover, exploits their fear of the growing forces of democracy and socialism.

History shows that at times the compromises to which countries pursuing an independent policy agree are made under the pressure exerted by Right-wing, reactionary forces. The impact of such compromises makes itself felt subsequently when they affect the country's political principles, and the series of such concessions to foreign monopoly capital begins to undermine a country's independence and neutrality. Imperialist aid is given on the basis of an open or, which is more frequent, veiled renunciation of some conditions necessary for economic and political development on an independent national basis. Consequently, in accepting imperialist aid

[91] Cf. D. Latifi, *India and U. S. Aid*, Bombay, 1960, p. 34.

a country must constantly see its dangers and neutralise its exploiting essence, inequality, one-sided advantage and many of its other neo-colonialist features.

For a long time the United States sought to make its aid to neutrals conditional on their joining political blocs, which they refused to do. After India and the other Asian neutrals turned for assistance to the Soviet Union and other socialist countries and began to receive it on terms of equality, the United States was compelled gradually to give up the unacceptable conditions and forms of granting aid. In a certain sense a revision of its aid policy began, marked by a desire to devise new forms for concealing more skilfully the selfsame imperialist ends. As early as 1955-1957, the United States undertook gradually to win over the ruling circles of neutral countries to its foreign policy line. It began to grant some countries financial aid without the preliminary condition of joining the United States in a military-political alliance or openly supporting its foreign policy.

It was during this period that the countries of the world socialist community, having gained in strength, began to render ever greater assistance to the economically less developed countries on fundamentally new principles. The developing countries saw in the economic assistance of the socialist states a major means of reinforcing their international position and promoting the development of the state sector in the economy and steady industrialisation. The insolvency of the American aid programmes, their inability to contribute to the rapid economic and cultural development of the newly-free peoples on an independent, national basis had become clear by 1955-1957.

Since 1957, American loans within the framework of the economic aid programme have substantially increased. Big capitalists from among the national bourgeoisie in the neutral Asian countries (India, Burma, Ceylon and others), the compradore bourgeoisie and reactionary elements have begun to exert strong pressure on their governments, demanding the ever wider enlistment of foreign, especially American, investments. The export of capital from the developed countries in the form of inter-government loans and state subsidies has begun to rise. A new period of an active financial drive on the sovereign Asian countries has begun, in addition to the political and military pressure to which they are constantly subjected.

World history has no precedent when over 50 former colonies in the course of 15-20 years (the same period when the world socialist system emerged and gained in strength) achieved political sovereignty and set themselves the aim of attaining economic independence. In these qualitatively new conditions, any foreign aid policy which does not promote this process of emancipation of the less developed countries and is designed to utilise the granted money as a tool

for their political or economic enslavement, is inevitably exposed in time and is gripped by internal crisis. Ultimately, neo-colonialist aid degenerates into gigantic social corruption, into military and political protection of the ruling circles of a country who have either deviated from the road of neutrality or have long held pro-imperialist positions with the object of fighting their own people under the flag of anti-communism.

After political liberation from the grip of the metropolitan country, the newly-independent peoples first of all encounter U.S. imperialism which seeks, by different methods and in new forms, to capture the natural and economic resources of the given countries and to institute new forms of their dependence. The political liberation of one or another colony is usually regarded by the U.S. Government and monopolies as a new opportunity for the redistribution of raw-material and other resources and changing the political balance of forces, and they usually try to take advantage of it at once.

The ideologists of U.S. imperialism talk about the vacuum which sets in after the expulsion of the colonialists from a country. This vacuum allegedly has to be filled by the United States or local forces willing to be allies of the United States. Washington usually gives military, political, economic and ideological support to circles and governments which do not have a strong patriotic basis within the country. Such circles try to preserve connections with foreign capital at any cost; they do not intend to infringe on foreign property; they want to utilise anti-communism and promise to follow a pro-American line in exchange for financial or military aid.

In the case of countries whose ruling circles favour national independence, neutrality in foreign policy and internal social reforms, the United States is pursuing a policy of blackmail, bribery, threats, conspiracies, the organisation of counter-revolution, sabotage, blockade and break-up of their national unity, and even resorts to direct or indirect military intervention. It is not surprising that this policy is condemned not only by the people and the ruling circles of these countries but also by many far-sighted, critically-minded men among the ruling element of the United States itself.

CHAPTER VII

ECONOMIC COOPERATION OF THE U.S.S.R. WITH DEVELOPING ASIAN COUNTRIES AND THE CRISIS OF THE U.S. AID POLICY

The economic dependence of raw material producers on the advanced capitalist states which supply manufactured goods and means of production is an objective law of the world capitalist economy. When an economically backward country breaks with capitalism and takes the non-capitalist road of development, the operation of this law is first weakened and then ends.

So long as a less developed country stays within the world capitalist economy it is exploited by the advanced capitalist states both in production and trade. Soviet economists have estimated that the monopolies of the U.S.A. and other Western countries annually extract $ 20,000 million from the less developed countries.

Any newly-free country wishing to boost its industry and having no foreign exchange for the purchase of industrial equipment, if it does not resort to the assistance of the socialist community, has no other way out except to reduce imports, increase exports (even by increasing its physical volume not compensated by a corresponding growth in value) and, lastly, ask for loans and aid from the developed capitalist countries. The need for foreign aid to extend resources for building up a national economy is a natural trend in the development of newly-liberated countries which remain within the world capitalist economy.

Since the socialist countries are extending their economic assistance and the imperialist states are compelled to revise their policy and adapt it to the new conditions, the question of assistance to developing countries has assumed an international aspect and acquired great importance in the struggle between the two world social systems.

The existence of the world socialist community and growing assistance by the socialist states to the independent Asian and African countries facilitate their struggle for complete independence and raise serious obstacles to the colonialist policy of the United States and the European imperialist powers.

The Soviet Union is rendering assistance to the economically backward countries. In so doing the U.S.S.R. and the other socialist states are not seeking special privileges for themselves in the form of concessions or a share in profits; they do not propose terms incompatible with the national interests and dignity of the recipient countries, or demand in return military and political obligations. This policy is determined not by considerations of a temporary or tactical nature. It is an expression of the fundamental principles of the international policy of the socialist states.

They adhere to the idea that foreign aid cannot become the sole or chief means for the economic advance of the developing countries. Advance is possible only if internal resources are utilised to the maximum. The main trend in cooperation with these countries is to establish equal economic relations and offer technical assistanco and credits for production purposes on favourable terms.

Acting on these principles, the socialist countries do not induce the less developed states to import goods they do not need. Imports have to help economic development. In exchange the socialist countries buy agricultural and mineral raw materials and other traditional export goods. In view of the limited foreign-exchange resources of the less developed countries, the Soviet Union agrees to the repayment of the credits in national currency, which greatly alleviates their financial position.

In recent years developed capitalist states have been compelled to make some concessions. This is mainly expressed in easing credit terms, especially to countries which have established economic ties with the socialist states.

Capital, India's oldest economic journal, writes that "under the stimulus of American fears of Russian enterprise in Africa and Asia, they (the Americans.— *R. U.*) are determined to face up to some of the real problems of lending cheaply and efficiently to backward and temporarily insolvent countries such as India.... We should make a sign of gratitude to the Soviet Union, whose activities have brought this day nearer...."[1] *Link*, another Indian journal, expressing the same idea, says that the U.S.A. gives aid because it fears that the Soviet Union might offer aid.[2]

D. Latifi, an Indian economist, points out that "the parallel existence of the Soviet programme strengthens the bargaining power of the recipient countries in their negotiations with the older sources of aid".[3]

Several Indian newspapers, including the influential *Hindustan Times*, have noted that Soviet credits to India are remarkable in many respects; to begin with, they compel the United States to increase its efforts in rendering aid to India, which is a double

[1] *Capital*, August 28, 1958.
[2] *Link*, March 22, 1959.
[3] D. Latifi, *India and U. S. Aid*, Bombay, 1960, p. 86.

gain considering the country's difficult foreign-exchange position; in a certain sense it is the U.S.S.R. that will solve India's problem of foreign exchange. The Indian press has noted, moreover, that the interest rate on Soviet loans is 50 per cent lower than the interest rate charged by the International Bank for Reconstruction and Development, while the duration of construction work with the help of the U.S.S.R. is shorter than at many other building projects.

The influence of Soviet assistance on the economic development of the newly-independent countries is arousing the anxiety of the ruling circles in the imperialist states and many of them are trying to misrepresent the nature of Soviet aid. Thus, Charles Bohlen claims that Soviet assistance is not directly aimed at promoting the sound economic growth of these countries; Soviet programmes, he avers, lay emphasis on projects which ensure a direct psychological effect and not on those which have great importance for the further economic development of the given country.[4]

Such statements are at variance with the facts. Bohlen's viewpoint is refuted in many studies published in the United States. Here is how Soviet assistance is assessed by the authors of the book *The Ruble War*: "The Russian development projects in Egypt, for example, are not just selected showpieces designed to make a propaganda splash. They cover the whole range of Egypt's modern economy; they were selected by the Egyptians, as part of their own industrial five-year plan.... The Soviet aid is not a grant; it is not a charity. The Russians are offering long-term credit so that the Egyptians can get two things: technical help and machinery."[5]

The rapid economic growth of the Soviet Union and all the socialist countries and the resultant greater possibilities for technical and economic cooperation with the less developed countries is alarming the neo-colonialists. They are even more disturbed by the possible application of socialist methods of planning and overcoming age-old backwardness in these countries.

The victorious advance of socialism gives rise, on the one hand, to the ideology and policy of anti-communism which underlies pro-imperialist blocs, and, on the other, to the tactic of manoeuvring and partial concessions. H. Simonet, a Belgian economist, calling for the full provision of the developing countries with capital from Europe and the United States, offers as grounds "the need to avoid their choosing the communist road of development".[6] "A political problem arises of whether the industrial countries will allow their

[4] *New York Times*, March 8, 1960.
[5] *The Ruble War*, by H. Smith, W. Burde, H. K. Hottele, P. Kolisher, B. Leisner, D. Schorr, Buffalo, 1958, pp. 14-15.
[6] H. Simonet, *La formation du capital dans les pays sous developpés et l'assistance financière étrangère*, Bruxelles, 1959, p. 179.

capital to be utilised without their being able to put up political or military conditions."[7]

The imperialist monopolies are incapable of rendering disinterested aid because their aims have been and remain to keep the underdeveloped countries as suppliers of agricultural raw materials and to exploit their peoples. But in our day any newly-free country, irrespective of its development level, is capable of launching a drive on economic backwardness and abolishing it gradually, destroying all forms of dependence on imperialism. It is, of course, not so simple to accomplish it. This is a road of trials and intensive work, a road of struggle, but the only one that can ensure independence, democracy and social progress.

Economic and technical assistance by the socialist states to the young national states accelerates the growth rates of their productive forces. The development of firm economic and political ties between the socialist and the developing countries is a regular trend stemming from the alliance of the socialist revolutions and the national-liberation movements. Industrial, technical and financial assistance by the socialist states has become extremely important to the less developed countries. In turn, the anti-imperialist and anti-colonialist policy of the newly-free countries and the striving for socialism by many of them are very important in supporting the socialist community in the struggle against imperialism, colonialism and war.

The main feature of economic cooperation between the socialist community and the newly-independent countries is assistance in implementing construction programmes, chiefly in building industrial enterprises which produce capital goods, other enterprises of national economic importance and big hydropower projects.[8]

The imperialist ideologists try to intimidate the independent states by claiming that industrialisation with Soviet assistance supposedly will worsen the material conditions of the people because it will demand a concentration of resources on production. A document submitted to the U.S. Senate asserts that the Soviet assistance programme "is one of keeping down the consumption of their peoples (in the developing countries.— *R.U.*) in order to plow back everything possible into the expansion of the economy for the political purposes of the state."[9] If the West cannot give the less developed countries "a realistic alternative to the poverty under which they now live", they will become victims of "a policy of growth with little consumption"[10] (allegedly pursued by the Soviet Union).

American economists offer no proof that industrialisation of the less developed countries lowers living standards for the simple reason that none exists. This groundless assertion reveals the desire of the imperialists to discredit industrialisation as the general line of development of the young national states. It is aimed at preventing political and economic cooperation between the less developed countries and the socialist countries which advocate industrialisation. The Western monopolies opposed to industrialisation (allegedly because it brings down consumption) use this as common ground for joining ranks with social groups that make up the mainstay of the internal reactionary forces in the less developed Asian countries and are also opposed to industrialisation in the state sector. The American aid policy is certainly not prompted by economic aims or the purpose of speeding up the industrial development of the newly-independent countries. Economic and military aid are instruments of American foreign policy, in the same manner as local wars, the landing of marines, demonstrations of military strength, diplomatic moves, support of reactionary rebellions, etc. It is along these lines that the problems of American aid are examined by B. Westerfield in a book published in 1963.[11] Westerfield tells us that the principal task of the American aid policy is to neutralise Soviet assistance to countries taking the road of independent economic development and to "contain communism".

What should Washington's attitude be towards the efforts of the Afro-Asian peoples striving for economic progress? This is a question that troubles U. S. ideologists. Asia and Africa must be free of communism, they declare, it must not influence the future of the countries of these continents. Prof. McKay, President of the African Studies Association of the U.S.A., writes: "We (the Americans.—*R.U.*) must attune ourselves to this revolutionary spirit in Africa and Asia and view it as affirmatively and sympathetically as we can. If we fail in the effort, we may find our present system of international security collapsing all around us within the next decade."[12] His main conclusion is that these countries must be given constant economic aid and neutrality must no longer be considered an unacceptable factor in international affairs.

Cold-war diehards and anti-communist crusaders who together with so-called aid want to impose their line, their leadership on the less developed countries, are still very active among ideologists of American foreign policy.

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[7] *Ibid.*, p. 216.

[8] One of the basic documents of U. S. neo-colonialist policy roundly condemns the tendency of backward countries to evaluate in "*political terms*" (my italics.—*R. U.*) steel mills, chemical plants and machine-tool factories (*The Political Economy of American Foreign Policy*, New York, 1958, p. 187).

[9] *Worldwide and Domestic Economic Problems and Their Impact on the Foreign Policy of the United States*, Washington, 1959, p. 4.

[10] *Ibid.*

[11] B. Westerfield, *The Instruments of American Foreign Policy*, New York, 1963.

[12] V. McKay, *Africa in World Politics*, New York, 1963, p. 425.

In 1963, Georgetown University arranged a special conference on the national security of the United States. The materials of this conference, taking up more than 1,000 pages, were published as a symposium.[13]

The conference was attended by experts servicing mainly the reactionary circles of the American bureaucracy and the monopolies: R. Strausz-Hupé, William R. Kintner, Stefan Possony, Herman Kahn, Oskar Morgenstern, Herbert S. Dinerstein (of the RAND Corporation), Gerhart Niemeyer, Richard Waker, Henry Kissinger, Stephen D. Kertesz and others. Among the participants was also the "father" of the American H-bomb Edward Teller.

We shall not discuss the large number of papers advising how to score "total victory" over communism and "to oust the Communists from seats of power" (cf. the paper by Professor Gerhart Niemeyer of the University of Notre Dame). Nor is there any need to refute the assertions of these men about the impermissibility and undesirability of peaceful coexistence or its interpretation merely as a continuation of war by non-military means (papers by Prof. G. W. Nutter of the University of Virginia, Prof. K. L. London of the George Washington University, Prof. I. H. Siegel of the Research Analysis Corporation).[14] There is nothing in these papers except hatred for communism. They are evidence of ideological mediocrity, not of original thinking. Teller, demanding the maintenance of economic and military superiority over the Soviet Union, insistently advised the U.S.A. to step up espionage, using the latest technical facilities, to recognise the expediency of using nuclear weapons in limited wars, say, in Cuba or Panama, continue U-2 flights.[15]

As for aid by the United States, Prof. Karl Brandt of Stanford University summed up the speeches at the conference in his conclusion that the United States "should not give any assistance to undermining systems that are based on private property".[16] Prof. Strausz-Hupé again demanded that the countries receiving American aid reaffirm American guidance.[17] Nothing constructive was voiced at the conference. Revealing their ideological impotence, the U.S. professors could only demonstrate that many of them continued to adhere to reactionary positions and had learned nothing.

Yet many American economists and politicians are compelled to admit that everything done so far by the United States in its economic relations with the developing countries and designed to prevent them from independent industrialisation has not stood

[13] *National Security. Political, Military and Economic Strategies in the Decade Ahead*, XXXII, New York, 1963.
[14] *Ibid.*, pp. 48, 199, 261, 429, 1007.
[15] *Ibid.*, p. 637.
[16] *Ibid.*, p. 751.
[17] *Ibid.*, p. 17.

the test of time. Young sovereign states carrying out economic development programmes, have encountered either a hostile stand or hazy promises of economic aid. The time has come when not only newspapers, magazines and books but also official statements and documents are full of admissions that the measures of the United States are not effective, that a crisis is gripping many developing countries and that this crisis must be overcome.[18]

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The new stage in the development of capitalism's general crisis, which began in the second half of the 1950's, arose above all because a new relation of forces between the two social systems began to take shape. It is manifested in the gradually increasing superiority of the forces of socialism over the forces of imperialism. The world socialist system is becoming the decisive factor of society's development. Imperialism is weakening and losing ground in competition with socialism.

The new relationship of forces in the world precludes forever the possibility of restoring the colonial regime not only as a worldwide system but in separate countries as well. Attempts made after the Second World War to use armed force to restore the French, Dutch and British colonial empires failed. The system of military blocs and bilateral pacts in Asia, designed to stifle the national-liberation movement, to "contain" the influence of the socialist community, and to provoke "little" wars, halted neither the national-liberation movement nor the consolidation of the Asian socialist states.

The main Asian countries have not joined military blocs, they are upholding and reinforcing their independence. The military blocs are undergoing a crisis. For all their need in capital, equipment and technical skill, most of the developing Afro-Asian countries have not sold their sovereignty for an imperialist-offered mess of pottage. Moreover, those Asian countries which in the early 1950's entered aggressive blocs and then concluded bilateral agreements with the United States are in the grip of a deep crisis in foreign and home policy. South Korea, South Viet-Nam, Thailand and other countries are racked by a mass struggle against the military blocs and the internal reactionary policy. Iraq has broken with the aggressive bloc to which it belonged. Laos, supported by the socialist and peace-loving countries, is upholding her independence, Indonesia has achieved reunion with Western Irian. The ruling circles in CENTO and SEATO countries have no firm social roots. The sphere of operation of the blocs has been curtailed, and

[18] *Worldwide and Domestic Economic Problems and Their Impact on the Foreign Policy of the United States*, p. 4.

the number of U.S. allies in Asia has declined. The Eisenhower-Dulles doctrine has fallen on barren ground.

The expectations of the imperialists that the less developed countries which have not entered aggressive blocs and are upholding their independence will be unable to cope with insurmountable economic difficulties have not materialised. The serious economic difficulties experienced by India, Indonesia, Ceylon, Burma and other independent countries have been mitigated in some degree by the consolidation of their political and economic independence, by a number of internal measures and with the help of the socialist countries.

Figaro wrote some time ago that "just as the United States has lost the monopoly of a deterrent which consisted in the threat of a retaliatory atomic blow, the West has lost the monopoly of economic aid. In 1947 the Soviet Union tested its first atomic bomb and in 1954 it began to compete with the West in economic aid to the Third World."[19]

The radical change in the relation of world forces makes it hard for the imperialist powers to start war against the socialist countries or the independent states of Asia, Africa and Latin America without facing the risk of defeat. Moreover, the weapon of economic strangulation of a weak state that dares pursue a policy undesirable to the imperialists, which worked unfailingly in the past, is now likewise proving ineffective. It leads at times to results entirely unexpected for the imperialists—to a serious weakening and then rupture of economic ties between the imperialist powers and the boycotted country, which establishes close relations with the world socialist community. The new economic ties with the socialist system, in face of the imperialist economic and political aggression, are favourably influencing the further development of the struggle for national liberation. The opportunity now enjoyed by any less developed country to change its economic relations to some extent as a way of repulsing the pressure of the imperialists and to establish equal ties with the world socialist system, means that blockade, economic intervention, boycott and embargo—at one time formidable weapons in the hands of the colonial powers and monopolies—are gradually losing their former efficacy.

The monopoly of equipment, credits, specialists and scientific and technical know-how, formerly enjoyed by imperialist powers, is being undermined. This is a prime cause of the crisis in contemporary colonial policy, a cause which in itself essentially changes the position of the less developed countries in the system of international relations and facilitates their successes in the struggle for economic freedom. The undermining of the Western powers' monopoly of credits, capital, equipment, personnel, science and technical know-how is the most dynamic factor in the contemporary struggle between the two systems which determines the further disintegration of *economic* colonialism, following the break-up of its political forms.

[19] *Figaro*, December 6, 1963.

Not only are the socialist countries able to provide the less developed countries with a range of goods and services needed for the building of an independent national economy. More significantly, the assistance of the socialist countries is compelling the imperialist powers to reshape their economic relations with the newly-independent countries, enabling the latter to some extent to escape the former imperialist forms of exploitation.

Now that the socialist countries provide credits on terms easier than the imperialist states, that enterprises of decisive importance for the future of the nation are being built up with these credits—which may be repaid in local currency or traditional exports—any imperialist policy vis-à-vis the less developed countries will inevitably run into trouble and require revision.

The main forms of economic relations between the Soviet Union and the developing countries are: foreign trade with the delivery of the means of production, credits on easy terms, technical cooperation in the exploration, design, building, assembly, setting-up and commissioning of industrial, power, transport and agricultural enterprises, and also assistance in mineral prospecting, the organisation of economic planning and the training of national scientific and technical personnel.

Prior to the Second World War, Soviet trade in Asia was insignificant—it amounted to 51 million rubles in 1938. This is understandable because most Asian countries were colonies or semi-colonies and trade with them was conducted through the West European metropolitan countries. The situation changed after the war. Trade between the Soviet Union and the independent Asian countries has developed at a rapid pace: in 1938, it amounted to 51 million rubles, in 1962 to 636 million rubles).[20]

The Soviet Union is a big importer of natural rubber, medium- and long-staple cotton, wool, hides and skins, coffee, cocoa, tea and ground nuts. As a rule, the U.S.S.R. seeks to buy goods directly from national firms of Asian states without resorting to the services of intermediaries. This strengthens the position of young national states in foreign markets and weakens the old ties of colonial dependence. As a trading partner the Soviet Union is noted for the stability of its market and stable terms for the sale of goods.

The sale and purchase of goods at stable prices unaffected by the fluctuations of the capitalist market, at prices recorded in long-term trade agreements are mutually advantageous for the Soviet Union and the Asian countries.

[20] Cf. *Внешняя торговля СССР за 1962 год*, Москва, 1963.

A specific feature of the composition of Soviet exports to the developing Asian countries is the big share of machinery and equipment of all kinds, especially for the manufacture of means of production. Deliveries of sets of equipment for entire factories is assuming an increasing volume in Soviet exports. Below are the data on the exports of machinery and equipment from the U.S.S.R. to some Asian countries (million rubles):[21]

	1955	1956	1957	1958	1959	1960	1961	1962
Afghanistan	2,6	4,7	7,8	10,1	14,4	18,4	21,1	20,3
India	0,3	6,3	42,6	91,7	33,9	22,7	48,5	69,9
Indonesia	—	—	4,9	13,1	3,0	8,9	19,1	42,0
Iraq	—	—	—	—	12,0	11,0	22,7	34,7

The Soviet Union is rendering 28 developing countries economic and technical assistance in building about 600 large industrial enterprises and workshops, irrigation installations, railways, roads, ports, etc., of which 167 have been commissioned. Among these enterprises are 34 iron-and-steel and non-ferrous metal works, 12 collieries and ore mines, 20 chemical factories and oil refineries, over 45 engineering and metal-working plants, 20 electric stations, 16 building-materials enterprises, 80 factories of the light and food industry, some 100 mechanised farms, 90 educational establishments, and so on. Long-term Soviet credits granted to developing countries for economic purposes exceed 3,500 million rubles. Over 70 per cent of Soviet technical assistance agreements are for enterprises which are crucial for the industrialisation of many former colonies. We give here an enumeration of some projects which are being built with Soviet assistance.[22] The enterprises which have been, and are being, built with Soviet assistance have an annual capacity of 6 million tons of steel, 4.3 million tons of iron ore, 186,000 tons of machinery and equipment, 3.2 million *kw* of electrical power equipment and 432,000 tons of mineral fertilizer; oil refineries have an annual throughput of 8.6 million tons and electric station, a rated capacity of 4.7 million *kw*.

Afghanistan. Many enterprises and other installations have been built and put into service, including the largest mechanised bakery in Asia, a river port, three airfields, including the Kabul airfield, and a large automobile repair plant. The biggest hydroelectric station in Afghanistan and the Jalalabad canal have been constructed. Big highways are being built with Soviet assistance (a road across the Hindukush has been constructed and the Kushka-Herat-Kandahar road is nearing completion). Large irrigation installations are being developed and Soviet geologists are helping to prospect for oil and gas. Soviet credits amounted to one-third of the investments under Afghanistan's First Five-Year Plan and half under the Second Five-Year Plan (1962-1967).

Burma. A technological institute, hotel (in Rangoon) and hospital have been built. Major irrigation installations are under construction.

Cambodia. A hospital and clinic have been built by the Soviet Union in Phnom-Penh. A higher technical school has been built and presented as a gift to the Cambodian people. A hydroelectric station is soon to be erected.

Ceylon. The Soviet Union is assisting Ceylon in the construction of a steel plant and automobile tyre factory, a grain elevator and flour mill, and a prefabricated housing plant. Soviet specialists are helping clear the jungle in the Kantalai and Hambantota areas. A state sugar-cane farm has been organised.

India. The Bhilai Steel Plant with an annual capacity of one million tons has been commissioned. It now contributes 16.5 per cent of India's steel output and is the most profitable enterprise in the state sector. Work is under way to bring up its capacity to 2.5 million tons. At India's request, the Soviet Union will assist in the erection of a steel works at Bokaro. It will be the fourth steel plant in India's state sector and will ultimately have a capacity of 4 million tons. The first section will produce 1.5-2 million tons of steel annually. Under construction are coal mines and washeries, heavy electrical and precision instruments plants, a machine-building and a mining equipment plant. An oil refinery has been commissioned. An oil field yielding one million tons of crude annually has been developed in Ankleshwar. Two more refineries with an annual throughput of 3 million tons are being built. The large thermal power station in Neyveli has been put into operation. Many oil and gas fields have been discovered with Soviet assistance and work is under way on their development. Factories to produce medical preparations and surgical instruments are under construction.

Soviet credits greatly contributed to the establishment of the state steel industry during the Second Five-Year Plan period (1956-1961). A state heavy engineering industry to further the country's industrialisation is being developed with Soviet help under the Third Five-Year Plan (1961-1965). Plants capable of producing electric generators with an annual capacity of 3.5 million *kw* and coal-mining machinery will be erected in cooperation with the Soviet Union. It is becoming clear that India's industrial core is a product of the cooperation of the Indian people and the socialist countries. Soviet credits amount to some 12 per cent of all investments in the state sector under the Third Plan.

[21] Cf. *Внешняя торговля СССР за 1962 год*, Москва, 1963.

[22] С. Скачков, В. Сергеев, Г. Шевяков, *Помощь и сотрудничество во имя мира. (Экономическое сотрудничество СССР со странами Азии, Африки и Латинской Америки)*, Москва, 1962.

Indonesia. The Soviet Union is helping the country to build a steel plant with an annual capacity of 100,000 tons, a superphosphate factory, concentration factory at a sulphur mine, two mechanised rice farms, a highway on Kalimantan Island and also a technological institute in Ambon. A stadium seating 100,000 people and a big hospital have been built in Jakarta. In addition, the Soviet Union will help build an aluminium plant, calcinated soda factory and other projects.

Iraq. Assistance is being rendered in building some 70 enterprises and installations, including factories for the production of nitrogen fertiliser, sulphur and sulphuric acid, farm machinery, electrical equipment, etc. Twenty-two projects are already in operation, including a radio centre in Baghdad, and the reconstructed Baghdad-Basra railway has been put into service. Geological prospecting is under way.

Nepal. The Soviet Union is helping to build a hydroelectric station, a highway 120 *km* long, a farm implements factory. A cigarette factory, a sugar refinery and a hospital have been built.

Pakistan. The U.S.S.R. is helping Pakistan in geological prospecting for oil and gas.

Syria. A nitrogen fertiliser factory and a railway to Latakia are being built with the assistance of the Soviet Union. It is also helping in geological prospecting.

United Arab Republic. The Soviet Union is assisting in the construction of 127 projects in almost all the key branches of the economy; 73 of them are already operating, including three cotton-spinning mills, an antibiotics factory and a research centre for the peaceful uses of atomic energy. Eighty per cent of Soviet credits to the United Arab Republic go to industry and 17 per cent, to agriculture. Under construction is the High Aswan Dam (the first section was completed in 1964 with the damming of the Nile), which is of utmost importance for the development of the country's economy: its construction will increase the cultivated area by one-third, create a huge industrial complex and improve the country's position in the world market. A coke and by-products plant and steel mill, a zinc refinery and a number of other major enterprises are being developed.

Yemen. A seaport near Hodeida has been built and a number of factories, roads and airfields are under construction.

The principle of equal reciprocal goods deliveries underlies trade relations of the Soviet Union with the developing countries. The result is that exports and imports are more or less balanced. This is of considerable significance in view of the small foreign-exchange resources of the less developed countries. Moreover, the chronic unfavourable trade balance of these countries has come to be used as an instrument of neo-colonialist policy. In the countries of South and Southeast Asia the unfavourable balance of trade with Western Europe grew from $ 399 million in 1953 to $ 913 million in 1961, and in trade with the United States, from $ 641 million to $ 1,577 million.[23] The same situation prevailed in subsequent years.

During the same years, exports of the European socialist states to the developing countries grew by 58 per cent and imports from them, by 60 per cent. Moreover, all the socialist countries became big exporters of machinery and equipment, usually delivered in complete sets for factories built in the developing countries.

The conclusion of clearing agreements with the socialist countries is of great importance for the developing states. The Soviet Union has abolished customs duties on goods imported from the less developed countries and is planning substantially to increase purchases there.

Czechoslovakia, Poland, Rumania, the German Democratic Republic, Bulgaria and Hungary are rendering ever greater assistance to the developing countries along diverse lines: the building of enterprises in industry, transport and agriculture, their provision with sets of modern equipment, exploration, prospecting and survey work, training of workers, engineers and technicians, drawing up economic development plans, etc.

The socialist countries are helping to build 400 industrial enterprises, shops and installations, including 60 engineering and metal-working plants, over 40 building materials factories, 20 chemical factories, over 30 electric stations, etc.

A new international division of labour is gradually emerging in the course of the struggle against the neo-colonialists. Imperialism is wholly on the defensive. Political colonialism is on the verge of complete defeat, while economic colonialism is under attack from the newly-liberated countries supported by the world socialist community. The subordinate position of the less developed countries in the world capitalist economy is being changed by the new type of economic relations between the socialist and the developing countries, relations based on mutual advantage, complete non-interference in each other's domestic affairs, active cooperation and peaceful coexistence.

* * *

The policy of American aid to the less developed countries is often under fire from U.S. statesmen as well. Adlai Stevenson, for example, has said that the United States, while in no way saving a number of countries from communism (for which it claims credit),

[23] *Economic Bulletin for Asia and the Far East*, Bangkok, June 1962, p. 43.

has merely been reinforcing unpopular regimes, enriching the privileged and increasing the abyss between the living standards of the upper crust and the oppressed classes.[24]

Summing up the results of aid to less developed countries by the Eisenhower Administration, Chester Bowles wrote: "American military aid programmes, which have often been launched with scant understanding of their economic and political repercussions, seldom coincide with the long-term security interests. Much less do they coincide with the long-term interests of the people in the country concerned. In instance after instance we have seen those ill-conceived military programmes foster regional tensions, divert internal energies from constructive economic efforts, pave the way for palace revolutions, and tie our prestige and our influence to the dubious tenure of dictators who sooner or later are destined to be swept aside." And further: "To call upon the non-communist two-thirds of mankind to join us in a crusade for the 'American Way of Life' is therefore self-defeating and futile."[25]

William Douglas, Associate Justice of the U.S. Supreme Court, gives a withering characteristic of American aid policy. He writes: "For the promotion of revolution on the economic frontier our role is plain. Whenever we see a non-communist in power who has a reform programme, we can throw our weight behind him. When we advance aid we can do so only if starts are made on economic programmes.... Under our foreign aid the rich and feudal societies got richer and richer and the poor were held tightly in a vise. This practice helped spark the Iraqi revolution of July 1958. Officials in foreign nations getting American aid often siphon it off into private accounts.... Chiang Kai-shek's Kuomintang has been notorious."[26]

Douglas, together with other U.S. leaders, demands a change in U.S.-Asian relations. He does not rely too much on the dollar offensive and advises the ruling element to depend less on weapons.

"It is my deep conviction," he writes, "that the peoples of Asia cannot be won by guns or by dollars. The peoples of Asia must be won, if they are to be won, with ideas.... Unless we hitch our few dollars to ideas, unless we are forthright in our dealings in the Middle East and in Asia, we are going to go down in history as identified with the worst reactionary imperialistic forces ... that the world has known."[27]

The same idea about the need to change relations with Asia and Africa is expounded in an interesting way by P. B. C. Romulo, a well-known publicist: "... America has an opportunity to found and

[24] *New York Times*, April 27, 1959.
[25] Chester Bowles, *The Coming Political Breakthrough*, New York, 1960, pp. 139-140, 144.
[26] *Saturday Review*, June 10, 1961.
[27] *The Nation*, 1952, No. 22, pp. 516, 519.

rule an empire greater than any the world has yet seen, an empire of the mind and heart. But to accomplish this, she must first win the regard and affection of Asia and Africa."[28]

To win the regard and affection of the Asian and African peoples is proving beyond Washington's strength. But it is not through lack of dollars. This is admitted by William Douglas who has travelled extensively in the East. Something else is needed—great progressive undertakings, inspiring social example, advanced ideas, a true and vital philosophy of development which could ensure a radical change in the life of almost 2,000 million people. And this is where the American monopolists and their henchmen are sterile. A very valuable admission in this respect has been made by P. Ritner from *Current*, an American magazine. Assessing American aid to the East as a farce, he bitterly admits that "it has nowhere accomplished the socio-economic reformations".[29]

It is impossible to win and keep the respect of the emancipated peoples without according them sincere respect and disinterested support. And these qualities have never distinguished the policy of the United States.

A realisation that anti-communism has become the hub of the American aid policy was reflected in a number of books issued in the United States under the Kennedy-Johnson Administration. W. Lederer, an American publicist, sharply criticised the Administration in a book with the original title *A Nation of Sheep*. He means the American nation being constantly misled by the American Government. "Our ignorance of the world outside our borders, and our assumption that an anti-communist stance is all that a chief of state needs to qualify for our support, are errors which compound quickly and work well for our enemies. What has happened already in Cuba, Korea, Turkey, Iraq and North Viet-Nam should have taught us bitter lessons. Yet our government—with the tacit approval of the press—seems content to blame all foreign revolutions on Communists; and after one debacle has passed, we proceed as before to help create the climate in which revolution becomes almost inevitable."[30]

Lederer outlines the system which keeps secret from American public opinion the activities of government institutions in charge of foreign aid. He writes: "About 80 billion have been spent on foreign aid. We know how much is spent in general areas; but the way the money is allotted in individual countries is classified. Under this secrecy how can the American people ascertain whether their tax billions are honestly being spent at the terminal points; espe-

[28] P. B. C. Romulo, *Friend to Friend. A Candid Exchange Between an American Friend of Asia and Asian Friend of America*, New York, 1958, p. 67.
[29] P. Ritner, *The Death of Africa*, New York, 1960, p. 278.
[30] W. Lederer, *A Nation of Sheep*, New York, 1961, p. 93.

cially when the history of past expenditures reeks of inefficiency and corruption?"[31]

R. Sedillot, of the reactionary French school of neo-colonialists, has given an interesting description of American aid: "Colonisation effected by the dollar dares not disclose its name.... Its forms differ from the official measures of the last century to such an extent that one gets the impression this is an entirely different phenomenon...."[32]

The author maintains that American aid leads to the replacement of some colonialists by others. Taking Saudi Arabia as an example, Sedillot reveals the workings of neo-colonialist policy. When in a country like Saudi Arabia, he says, the United States possesses military bases, employs its technical specialists, renders economic assistance and grants credits which become the basis of local financial resources, such a country is actually in a state of dependence which must be regarded as a form of colonisation.[33]

All researchers, American included, admit that one of the basic aims of American aid is to give support to pro-American regimes, preserved as a rule in countries with the most obsolete social systems.

James Warburg has coined a special term which quite successfully reflects the political conservatism and reactionary social nature of American aid, its opposition to any revolutionary and progressive changes whatsoever. The term is "American *status quo-ism*".[34] James Warburg maintains that despite aid to foreign states the United States is being defeated by "its callous indifference to humanity, and by its fear-inspired clinging to the status quo in a period of rapid and ineluctable change". He accuses the West that it always regards, without discrimination, the national movements in the less developed countries as "a first step towards communism", and "considers its interests to lie in the maintenance of the status quo".[35]

Thomas Balogh, a noted bourgeois economist and politician, agrees with Warburg. Foreign aid, he writes, hitherto "has been used, if anything, to induce the deferment of reforms (in the less developed countries.—*R. U.*). This is the basic cause of our failure."[36] The status quo policy has been roundly criticised in the books and statements of Chester Bowles. His criticism does not imply recognition or approval of the progressive movements in Asia, Africa and Latin America, although it has often been cloaked in radical phraseology. Here is what he said about the Eisenhower

[31] *Ibid.*, pp. 116-117.
[32] R. Sedillot, *Histoire des colonisations*, Paris, 1958, p. 636.
[33] *Ibid.*, p. 641.
[34] J. P. Warburg, *The West in Crisis*, New York, 1959, p. 150.
[35] *Ibid.*, pp. 94-95.
[36] *New Statesman*, December 4, 1959.

Administration: "... We Americans have inadvertently placed ourselves in the position of the richest individual in the world community trying to buy friends and supporters for his views. We have appeared willing to share our wealth liberally only with those who accept our interpretation of world affairs. To those who are critical we have been more niggardly.... Still another mistaken argument in support of foreign aid grows from the false assumption that we can turn Asians, Africans and Latin Americans into orderly supporters of the status quo simply by filling their hungry stomachs regularly with rice...." Is it any wonder, Bowles asks, "that our economic aid programme is suspected, if not rejected, by many proud, suspicious, newly-free peoples"?[37]

In recent years ever wider circles in the United States have been admitting the insignificant economic effect of the American foreign aid policy, its unpopularity and lack of prospects. A few years ago the aid programmes were still held up in the American press, in fundamental studies and statements of prominent figures as a model of humanity and a stimulus to progress. Now, however, there is widespread criticism. We are not considering the attitude of the American working people to the aid policy, because their opinion has always been ignored by the monopoly press and official circles. But never before has bourgeois opinion so widely criticised the futile policy of maintaining the status quo which brought the foreign strategy of the United States in Asia, Africa and Latin America a whole string of reverses and failures.

Here are a few admissions of the failure of the American aid policy.

In a leading article the *New York Times* points out: "We should learn ... that we cannot successfully fight communism by subsidising governments that rob or exploit their own people."[38]

Robert S. Strother, author of an article in *Reader's Digest*, entitled "Time for a Fresh Look at Foreign Aid", says: "Our money has *not* bought us friends and respect in the last ten years. It has *not* materially strengthened the countries which have received it. Instead of strengthening governments, it has too often corrupted them. Instead of defeating communism, it has in many instances worked *against* the United States."[39]

In these statements we find the unwitting admission that the newly-independent peoples regard the United States as an heir to European colonialism and a patron of the internal forces which prevent social progress. Strother reports that in 1948, 850 government employees handled problems of foreign aid; by 1961 they "multiplied" to 42,000. "In the last dozen years, U.S. aid pro-

[37] Ch. Bowles, *Ideas, People and Peace*, New York, 1958, pp. 135-136.
[38] *New York Times*, May 14, 1962.
[39] *Reader's Digest*, May 1961.

grammes have grown into the longest military, engineering and banking business the world has ever known."[40]

Let us recall that in 17 years the American taxpayer contributed the bulk of the more than $ 95,000 million (the sum of loans and subsidies) given by the United States to foreign countries. But, says Strother, it is fair "to ask what has been achieved by this lavish expenditure. What victories have been won? What countries are now our steadfast allies? What governments have been turned against communism? What countries have been strengthened economically by this infusion of U.S. dollars? The answers are grim."[41]

Military and economic aid as a component of the foreign political strategy of the United States cannot be disavowed even by the most "radical" verbal criticism by American bourgeois leaders. Such "self-criticism", forced by the development of the struggle between the two social systems and the strikingly pronounced antipathy of the newly-free peoples for American neo-colonialism, is very indicative and important as an admission of the failure of the U.S. neo-colonialist policy. It is not difficult to discern a desire to conceal the adverse results of aid for national and democratic progress.

Ultimately, the results of aid are fully apparent in the prolonged financing of imperialist counter-revolutionary elements, in support to the armed forces and the police of local reactionary regimes, in military intervention to suppress the national-liberation and socialist movements (Korea, South Viet-Nam, Algeria, Guatemala, Cuba, Panama, Brazil, Yemen, etc.), political conspiracies against governments which do not suit Washington (Iran, Iraq, United Arab Republic, Indonesia, Laos, Congo), and in whipping together aggressive blocs which harbour a war danger.

R. Tubby, Assistant Secretary for Public Affairs, commenting on "the necessity, opportunity, responsibility of aid", asserts that the United States really needs to provide aid so as not to lose the newly-independent countries for the "free world" and not to strengthen the communist world. He thinks that if aid is discontinued or is of little efficacy, this would lead to the "gradual loss of U.S. friends abroad and our eventual isolation".[42] This in turn would bring about the loss of markets for U.S. goods and the loss of opportunity to get those commodities and materials which the United States has fully or largely to import.

The policy of bribing the ruling classes in certain developing countries, the establishment of American military bases on their territory, militarisation of the internal life of these countries and

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[40] *Ibid.*
[41] *Ibid.*
[42] *Department of State Bulletin*, February 19, 1962, p. 301.

suppression of progressive democratic movements—this policy is beginning to misfire. And this is admitted by the American ideologists and politicians themselves.

* * *

The crisis of U.S. colonialist policy also stems from the determination of the young peace-loving states to strengthen their independence. It was no longer possible, without risking complete failure, to advocate programmes involving large military expenditure, organisation of military blocs, etc. A new approach is needed; not only new words but new action is wanted.

New tunes resound in the statements of the present U.S. leaders. While admitting the natural and legitimate striving of the economically backward countries for independence and progress, the propagandists of the "new" policy try to persuade the Asian and African peoples that the United States has always supported their struggle for liberation. Washington is compelled, at least outwardly, to change its stand on a number of cardinal questions pertaining to the development of the liberated countries.

The U.S. imperialists, while maintaining their ties with the feudal and semi-feudal circles, compradore elements and big bourgeois groups in the less developed countries, are actively flirting with the petty and middle bourgeoisie, in order to win over the national bourgeoisie as a whole. Together with their Western allies, the U.S. imperialists are staking more on a strong alliance with the ruling circles of the national bourgeoisie and bourgeoisified landowners.

American imperialism is intervening more actively in middle and small-scale private capitalist enterprise and, if need be, even participates in the industrial development of a strategically important young country.

The Economic and Industrial Research Corporation in a report prepared for the Senate Foreign Relations Committee has formulated a new approach to the problem of aid to less developed countries:

"(a) The need for external assistance is a long-term matter;

"(b) the industrial nations of the free world should coordinate their economic assistance efforts more fully than they are now doing;

"(c) the flow of capital and technical assistance should be increased from all external sources, by the end of the decade by a factor of three or four;

"(d) economic assistance should be coupled with expanded trade—without trade, aid can die on the vine;

"(e) loans for economic development should be advanced selectively, in the amounts that can be absorbed productively, to countries of strategic importance with the best chance of developmental success;

"(f) a common strategy on the part of the industrial, or capital-exporting, countries of the free world is needed to shape the direction, type and amount of economic assistance they will provide, each country fitting its own programme, insofar as practicable, into the general strategic plan;

"(g) the underdeveloped countries undertaking growth programmes need the assurance of a continuing, businesslike programme to enable them to look ahead with hope of success for ambitious industrial plans instead of the uncertainty they now face;

"(h) they in turn need to establish more fully the environment to attract capital, public and private, a condition essential to the long-run success of their programmes."[43]

What is the overall aim of this programme? What is the chief idea expounded by its authors? What social system and what social conditions will be financed and supported by it? There can only be one answer. The United States is offering the newly-independent peoples capitalism to be developed under Western control.

Unable by its very nature radically to alter its policy, American imperialism is manoeuvring to disguise the new forms and methods of policy by a desire to keep in step with the times.

The more frequent economic recessions have contributed to new trends in U.S. economic policy in the less developed countries. On four occasions after the Second World War the U.S. economy has experienced a serious drop in production. Further militarisation cannot, at least for the present, create a new lucrative home market which would be capable for long to stimulate production and absorb the output.

Military technology has been more or less definitely shaped as regards designs, and further improvement of weapons which have reached the optimum limit of destructive power evidently will not lead to a radical change in industrial equipment used for armaments manufacture. Development here is concerned chiefly with cutting production costs and increasing the arms output, which cannot bring about the sudden opening of a big new internal or external market for weapons and their means of production. In view of this, tendencies are arising in the United States and other imperialist powers to exploit the existing market more intensively and utilise the big foreign markets in the less developed industrialising countries.

Loans granted by the U.S.A., which had grown considerably by 1959 (see Table 31), and also loans by international financial organisations closely connected with the United States, to less developed countries (accompanied by the categorical demand to buy American)

[43] *Worldwide and Domestic Economic Problems and Their Impact on the Foreign Policy of the United States*, p. 3.

Table 31

U.S. Subsidies and Loans to Asia and Africa*

	Subsidies, million dollars	Percentage of total sum of aid	Loans, million dollars	Percentage of total sum of aid
1954/55	3,600	95.5	170	4.5
1958/59	5,300	81.8	533	9.2
Per cent of increase or decrease . . .	+47	—13.7	+213	+4.7

* Source: *Statistical Abstract of the United States*, Washington, 1960, pp. 871-873.

attest to the active drive to expand the market for American monopoly capital. These loans also point to keener inter-imperialist struggle.

Although subsidies increased by 47 per cent, their share in total aid dropped by 14 per cent. Total loans rose by 213 per cent, that is they increased 4.5 times faster than subsidies, and their share more than doubled in five years. The tendency to reduce the role of subsidies and enhance the role of loans stands out clearly.[44] The same tendency prevailed in subsequent years. The share of loans in total U.S. aid increased by 1963 approximately to 35-40 per cent, with a corresponding decline in the share of subsidies.

Other measures for penetrating the economy of the developing countries have been taken. One of the first steps was the establishment of the Development Loan Fund in 1958. This to a certain extent made it possible to finance the economic aid programmes for longer terms without the sanction of the Congress. During the first two years the Fund received $1,400 million. This was followed by other measures. The share of budget appropriations under foreign aid going for economic development rose from 18 per cent for 1958/59 to 22 per cent for 1959/60. In the budget for 1964/65 approved by the U.S. Congress the sum of $ 3.4 million has been appropriated for foreign aid, of which $2.4 million is for economic aid. The latter figure, however, includes allotments for indirect military aid.

[44] Similar changes are taking place in the composition of British aid. In three years (1957/58-1959/60) British subsidies to Asia and Africa rose from £ 35 million to £ 39.6 million, or by 11.4 per cent, while loans increased from £ 10.9 million to £ 60.4 million, or 5.5 times. The sum of loans is almost double that of subsidies (*Economist*, March 19, 1960).

The U.S. Government has agreed to finance some projects built in the state sector of India and also to increase appropriations for the construction of several plants producing means of production.

The periods for the repayment of credits were lengthened: credits of the Export-Import Bank are now given for a period of up to 18 years and credits of the Development Loan Fund, up to 40 years. The interest rate on credits granted by this Fund has been somewhat reduced (to 3.5 per cent). The possibility of redeeming the loans partly in local currency is envisaged.

Aid through international financial institutions in which the United States plays a leading part was extended. On U. S. initiative, it was decided to increase the charter capital of the International Bank for Reconstruction and Development from $10,000 million to $21,000 million and the capital of the International Monetary Fund from $9,200 million to $15,000 million.

Simultaneously it was decided to set up the International Development Association as a branch of the I.B.R.D. with a capital of $1,000 million. It grants credits for up to 40 years with repayment in national currency and charges no interest or only 0.75 per cent annually, while the I.B.R.D. charges up to 6 per cent for credits granted for a term of 20-25 years and the U.S. Export-Import Bank, from 3.5 to 5.7 per cent. Moreover, credits of these banks have to be repaid in dollars or other convertible currencies, while no such demand is made by the Association.

The share of money from the sale of American agricultural surpluses turned over to the governments of the developing countries was increased.

The ideologists of U. S. policy, with rare exceptions, never admitted until recently the historical inevitability of colonialism's complete collapse. The dykes which Washington erected in the shape of military blocs and bases, American military and economic aid founded on the principles of "mutual security" of the colonialists and their victims, proved unable to stem the pressure of time. The ideologists of American imperialism are now compelled to admit as much. The U. S. aid policy is undergoing a crisis caused by the final collapse of the colonial system and the changing relation of forces in favour of peace, democracy and socialism.

CHAPTER VIII

INDIA: MAIN TARGET OF U.S. NEO-COLONIALIST AID POLICY IN ASIA

Nature and Scope of Aid

India holds a special place in the American foreign aid policy. The credits extended by the socialist countries are exerting a telling influence on the aid of the imperialist states to India. By supplying India with means of production on account of their credits, the socialist countries have undermined the former monopoly position of the imperialist powers in the Indian machinery market. Although foreign capital continues to utilise India's difficulties in industrialisation and tries to hamper her advance, more far-sighted businessmen are beginning to realise that the traditional anti-industrialisation policy is out of date as far as India is concerned. This has brought a certain reappraisal of American policy in India.

Perhaps there is no other country in the world in which the United States has such a peculiar composition of capital exports as in India. Between 1948 and 1960, private investments of the American monopolies rose from Rs. 112 million to Rs. 820 million, that is 7.3 times. Export of state and other official capital in the form of loans, credits, donations and aid totalled Rs. 26,950 million by 1963.[1] Export of state capital under the guise of aid is almost 33 times greater than the export of private capital.

This above all reveals the profound political interest of the United States in extending and consolidating its positions in India.

Private American investors were apprehensive not so much of the official policy of "building a society after the socialist pattern", as pro-American Indian economists claim—although this policy to a certain extent did frighten U. S. businessmen, especially at

[1] *External Assistance 1962*, New Delhi, 1962, p. 1; *Reserve Bank of India Bulletin*, May 1961, p. 3677; *Survey of Indian Foreign Liabilities and Assets*, 1948.

the initial stage. The influx of private American capital was also restrained by the fear of nationalisation, by British control in the most profitable investment spheres and the rapid growth of national capital after India had gained independence, all of which initially limited opportunities for U. S. capital.

The main thing is that both the home and foreign policy of India—her neutrality, anti-colonialism, persistent drive for industrialisation, building a large-scale state industry, legislative restriction of private enterprise, and close cooperation with the socialist countries—made it imperative for the United States to revise its approach in the mid-1950's.

American state capital or capital of international agencies associated with the United States blazed the trail to India; next came private monopoly capital, at first timidly and then more forcefully. Although state capital cleared the way for the American monopolies, this was not its chief aim. U. S. state capital pursues its own strategic objectives whose attainment is beyond the power of even giant monopolies. Its main aim is to prevent India's transition to the socialist road and her possible falling away from the capitalist system.

The more immediate task is to make India break with neutralism by gradually emasculating its real political content and oppose her to the socialist community.

The biggest flow of American capital to India comes in the form of loans by the U. S. Government and the International Bank for Reconstruction and Development.

Table 32 gives a summary of authorised U.S. loans and subsidies as of December 31, 1962.

An analysis of official figures shows that of the total loans authorised (Rs. 20,400 million), loans for production purposes made up not more than 40 or 45 per cent.

The state sector received 85 per cent and the private sector 15 per cent of the total. All the loans to the private sector were for productive purposes, while only 35 per cent of the loans to the state sector were for these needs.

It is indicative that of the American loans for investment in the production of capital goods, the private sector received 78 per cent and the state sector 22 per cent. The meaning and purpose of this policy is evident.

Of the total American loans and credits to India (Rs. 15,500 million without loans of the I.B.R.D. and the I.D.A.), loans for the purchase of equipment, raw and other materials for industry, transport, power and irrigation development amounted to about 6,000 million rupees (approximately 37 per cent). All money received by India from the United States (including the I.B.R.D. and the I.D.A.) in the form of loans, credits and subsidies (without private investments) from July 1, 1951, to December 31, 1962—Rs.

Table 32

State Loans and Subsidies to India by the United States and International Financial Organisations as of December 31, 1962
(million rupees)*

	Total authorised	
	Loans	Subsidies
United States		
Wheat loan	903.1	—
Indo-U. S. Technical Cooperation Programme	512.4	1,406.2
Development Loan Fund—Agency for International Development	4,449.9	—
U. S. Export-Import Bank	1,305.0	—
Other U. S. banks	70.4	—
Total	7,240.8	1,406.2
Food sales under:		
Public Law 665	197.4	121.4
Public Law 480	7,810.0	3,753.3
Total	8,007.4	3,874.7
U. S. loans in currency of third countries	278.0	—
Ford Foundation	—	172,3
Rockefeller Foundation	—	67.3
Total	—	239.6
International organisations		
Loans of the International Bank for Reconstruction and Development:		
To the state sector	2,488.3	—
To the private sector	1,404.4	—
International Development Association	1,011.9	—
Total	4,904.6	—
Total authorised by the United States and International Organisations	20,430.8	5,520.5

* Source: *External Assistance 1962*, p. 83.

26,950 million—was distributed in the following way as regards designation, terms of use and redemption:[2]

	Million rupees	Percentage of total
Free aid for economic development	6,076	22.5
Subsidies for famine relief	23	0.1
Food distributed in India through philanthropic organisations	716	2.7
Loans repayable in dollars	9,170	34.0
Loans repayable in rupees or dollars	8,702	32.3
Funds formed under the Coolie Amendment to P. L. 480, for crediting private Indian and American enterprises in India	787	2.9
Funds formed from the sale of food under P. L. 480 and reserved for use by the U. S. Government	1,476	5.5

These large loans and subsidies attest to the unremitting pressure of American monopoly capital in India and its desire to make her financially dependent. The export of capital by the state and official banks first of all promotes the exports of American goods in the interests of the U. S. monopolies. At the hearings before the Senate Foreign Relations Committee it was stated that every dollar loaned to other countries returned to the United States to be spent there, which increased demand and helped prevent an economic recession.[3]

But, as we observed earlier, the point is not only the material interest of the American monopolies. Assistant State Secretary G. L. Jones has emphasised that "United States aid for India in all its forms clearly promotes the United States political objective of ensuring through economic progress the continuation of democratic institutions and the basically friendly orientation of the Indian people towards the West".[4]

When he was Senator, John F. Kennedy once spoke frankly about the aims of American aid to India. He said that unless India received firm and long-term support the West would not be able to keep her within the bounds of capitalism.

American aid to India involves not only the export of capital advantageous for the monopolies, at the expense of the national budget and, consequently, of the taxpayers, but also represents a deliberate policy of bringing pressure to bear on the ruling circles and entering into a bloc with private Indian capital, in particular the big national bourgeoisie.

[2] Compiled from *External Assistance 1960*, New Delhi, 1961, pp. 71-72; *External Assistance 1961*, pp. 16-21, 22-24, 73-75; *External Assistance 1962*, pp. 2, 8, 9, 11, 16-24, 74-76.

[3] Cf. *Hearings before the Committee on Foreign Relations. U. S. Senate, 83rd Congress, Second Session*, Washington, 1954.

[4] *Department of State Bulletin*, Washington, April 18, 1960, p. 616.

Food Aid as a Means for Reinforcing the Positions of the American Monopolies

The export of American state capital to India is effected chiefly through deliveries of commodities on account of long-term credits, and not in the form of money loans. This is of advantage to the American monopolies because it enables them to entrench themselves in the Indian market. The loans, as the above figures show, are mainly for consumer goods, their purpose being to help dispose of U.S. food surpluses. After 1957 big loans were also given to buy American goods for production purposes, chiefly development of the infrastructure (power, transport, communication facilities, irrigation) by the Indian Government.

In assessing the nature and terms of the first American food loans to India and the funds under the programme of technical and economic aid, we should bear in mind the exceptional conditions in which India found herself between 1949 and 1951 as a result of the country's partition (disorganisation of economic life, poor crops for many years, widespread famine in several states). D. Latifi reports that Prime Minister Nehru personally visited the United States at the end of 1949 "to secure food supplies on loan, in view of India's desperate food position, and also to get American aid in general".[5] But during Nehru's visit Washington put up unacceptable political conditions.

For two years the United States blackmailed starving India. L. Natarajan, well-known student of American policy in India, demonstrated this point very conclusively. For two years the United States capitalised on India's troubles. In 1951, the U.S. State Department offered India a loan of two million tons of grain valued at $190 million. Some circles in India were overjoyed, but they rejoiced too soon. Debates in quite an outspoken form were resumed in the United States, whether India should be given aid if she did not meet Washington's terms.[6]

What were these terms? To support America's stand on the Chinese and Korean questions, to deviate from the neutrality policy and to approve the draft American peace treaty with Japan.

Knowing that India badly needed food loans, the U.S. ruling circles deliberately dragged out the negotiations in an attempt to wrest political concessions. When it became clear that India would not radically change her foreign policy, the terms of the first loan in 1951 were debated by the American Senate for nearly five months. It demanded of India manganese and monazite ore for the atomic industry, and also her consent to the organisation of an American-dominated, mixed company for the building of a ferromanganese

[5] D. Latifi, *India and U.S. Aid*, Bombay, 1960, pp. 17-18.

[6] L. Natarajan, *American Shadow over India*, New Delhi, 1956, pp. 94-109.

plant, 80 per cent of whose output would go to the United States. India was compelled to accept these terms though they violated the embargo on the export of these ores declared in the country.

American food aid, which after the Second World War assumed the nature of large non-market operations in a number of Asian, African and Latin American countries, has deep socio-political and economic roots. While these countries with large populations suffer from a chronic crisis of underproduction of farm produce, the United States has a chronic crisis of overproduction of agricultural commodities. The United States and Canada, with 6 per cent of the world population, produce more than 50 per cent of the food in the capitalist world. This naturally does not mean that the entire American and Canadian people are fully provided with food. According to official figures, about 20 per cent of American families live in poverty; in the South only a quarter of the population (about 8 million people) enjoy normal nutrition and about 22 million are undernourished.[7]

Nevertheless the U.S. Government, expressing the interests of the monopolies, maintains high grain prices on the home market and pays the farmers a bonus for reducing the sown acreage. The average annual wheat crop in the United States amounted to 27.5 million tons between 1953 and 1958, while home consumption, limited by the effective demand, was 16.4 million tons. Since exports amounted to 3.7 million tons of wheat annually on the average, the surplus stocks continued to grow at a rate of 7.4 million tons a year.[8]

The policy of stabilising the home market of agricultural commodities consists in establishing a system of regulated stocks and the purchase of produce at support prices. When prices on the home market show a tendency to rise and the available stocks grow substantially, the United States tries to sell wheat abroad at lower prices, which usually disorganises the world market.[9] The system of regulating stocks and prices in the United States includes the strict limitation of food imports and high customs duties. The Indian journal *Capital* rightly remarked that the absurd policy of maintaining high prices of agricultural commodities made the United States accumulate surpluses which had to be disposed of.[10] This policy continues today. Unsold grain is bought up by the government and kept in warehouses. Wheat stocks in the United States were (as of July 1): 24 million tons in 1958, 35.2 million tons in 1959 and 35.8 million tons in 1960.[11] Nor did the stock decline subsequently.

Abandoned buildings—cinemas, gymnasiums, dance halls—and old ships are used for storing these stocks. At a press conference in May 1962 the late President Kennedy spoke about the "tremendous increase in the commodities which must be stored", and assessed these surpluses at $9,000 million.[12] The governmental expenditure on buying and storing grain surpluses exceeds 6,000 million dollars annually [13]—quite a tidy sum, being twice as large as annual U. S. foreign economic aid.

The big deliveries of grain and other foods to India and elsewhere are by no means caused by a desire selflessly to help needy peoples. The export of food and particularly grain surpluses in the form of aid lessens pressure on the home market, props up the price level and reduces the sum of state subsidies to farmers and the huge expenditure on storing grain.

Beginning with the first food loan in 1951, India has been paying for food considerably higher prices than those in the United States. In 1951/52 wheat was bought from the American farmers at a price of $ 78.77 per ton, while India paid $ 105 (or 33.3 per cent more than the home purchasing price).[14] If we add transport costs, the price of a maund of wheat (82 lbs.) in India amounted to Rs. 22, while it was sold by the Indian Government on the home market for Rs. 17. This means that as a result of the high prices and costly freight rates, the 1951 food loan involved a loss of Rs. 169.9 million.[15]

The unequal nature of the food transactions of the United States in India is no secret to the Indian economists. They have understood it perfectly, as shown, for example, by an article by K. S. Gill in the Indian *Economic Weekly*.[16]

The food loans under the first and the supplementary agreements carried an annual interest rate of 3-4 per cent if the loan was repaid in dollars and 4-5 per cent if repaid in rupees. Under the second agreement the interest rate was 3.5 per cent and the third agreement, 4 per cent. This was from 50 to 100 per cent higher than the interest rate on Soviet loans extended to India for industrial construction in the key branches of the economy. India is obliged to transport American food almost exclusively on American ships, with freight rates from 25 to 30 per cent higher than the world average and, moreover, payable only in dollars.[17]

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[7] S. Bonnefous, *La terre et la faim des hommes*, Paris, 1960, p. 185.
[8] *Commerce*, June 7, 1960, p. 793.
[9] In 1962 the state purchase price of wheat at home was $2.34 per 60 lbs., while the export price was $1.63-1.73 (*Monthly Bulletin of Statistics*, June 1963, p. 132).
[10] *Capital*, June 23, 1960.
[11] *Wheat Review*, October 1960, March 1961.
[12] *New York Times*, May 18, 1962.
[13] *Federal Reserve Bulletin*, November 1962, p. 1479.
[14] L. Natarajan, *American Shadow over India*, p. 87.
[15] *Ibid.*, p. 96; *Times of India*, December 12, 1963.
[16] *Economic Weekly*, April 2, 1960.
[17] *Hindustan Times*, May 27, 1960; *Indian Express*, January 31, 1961.

The American economist Victor Perlo had the following to say about the American shipping companies: "The U. S. shippers are parasites, operating on huge subsidies, depending mainly on U. S. Government and foreign aid cargoes, which are 50 per cent captive to U. S. flag vessels. They get less than 10 per cent of the competitive U. S. foreign trade. On the captive business they charge up to three times normal, commercial rates".[18]

By charging a high interest rate on the food loans, a high price for the grain and high freight rates the United States is able to leave part of the money received from the sale of the grain at the disposal of the Indian Government as a "gift".

Food aid to India is important for the United States in more ways than one; it is not limited to easing the crisis of food overproduction in the United States. American leaders have found in food loans to India, which is chronically short of agricultural commodities, a convenient form for penetrating the country's economy, enabling them to influence some internal events.

Let us examine the scale of food deliveries, the nature of economic transactions associated with them and the machinery for the use of the money received from food sales. In seven years (1956-1962) India concluded with the United States eight major and supplementary agreements on the delivery of food surpluses. The first three major agreements were concluded on August 29, 1956, September 26, 1958, and November 13, 1959, and the first supplementary agreement on June 23, 1958—altogether for Rs. 4,605 million, to cover deliveries of 11,000,000 tons of wheat and flour, 200,000 tons of rice, 160,000 tons of maize and 625,000 tons of cotton.[19]

The fourth major agreement was concluded on May 4, 1960; then three supplementary agreements on deliveries up to 1964 were signed—on July 29 and September 23, 1960, and March 1, 1961. They provided for the delivery of 16 million tons of wheat and 1 million tons of rice and other commodities, to the tune of Rs. 6,518 million.

In 1962, three agreements were concluded (May 1, November 26 and November 30) for the delivery of tobacco, cotton, powdered milk, cheese and tinned fruit for Rs. 430 million.

Under all these agreements the United States had to deliver to India up to the end of 1964 food and other agricultural commodities to the tune of Rs. 11,563 million. Deliveries of different commodities were to be as follows: wheat, 27,000,000 tons; rice, 1,400,000 tons; other food grains, 535,000 tons; sorghum, 197,000 tons; powdered milk, 21,000 tons; cotton, 1,780,000 bales (400 lbs. each); tobacco, 11,260,000 lbs.; soya-bean oil, 3,600 tons.[20]

[18] *Worker*, November 4, 1962.

[19] *Report of Indo-U.S. Technical Cooperation Programme 1960*, New Delhi, 1961, pp. 6-7.

[20] *External Assistance 1962*, pp. 4-6.

At the end of 1962 the value of the actually delivered goods paid for by India in rupees, was Rs. 6,720 million, or about 60 per cent of the total cost of deliveries under these agreements.[21]

Table 33 shows the sums received from U. S. food sales in India, and their distribution.

Table 33

Money Received from the Sale of American Food Delivered under P. L. 480, as of December 31, 1963
(million rupees)*

	Total	Of which at the disposal of the governments of:					
		India			United States		
		Total	Of which		Total	At the disposal of the U. S. Embassy in India	At the disposal of the U. S. Export-Import Bank for loans to private enterprise in India
			Loans	Donations			
Total.	11,563	9,300	5,547	3,753	2,263	1,476	787
Of which:							
First major agreement (1956). . .	1,688	1,334	1,077	257	354	354	—
First supplementary agreement (1958) .	265	160	160	—	105	37	68
Second major agreement (1958) . . .	1,237	797	618	179	440	131	309
Third major agreement (1959). . .	1,418	1,134	567	567	284	213	71
Fourth major agreement (1960), second and third (1960) and fourth (1961) supplementary agreements .	6,518	5,496	2,748	2,748	1,022	696	326
Three agreements in 1962	437	379	379	—	58	43	15
Sums allotted to the Indian Government under the agreements	—	3,751	2,565	1,186	—	—	—
Sums actually utilised.	—	2,143	1,675	468	—	—	160

* Drawn up from *Report of Indo-U. S. Technical Cooperation Programme 1960*, pp. 6-7; *Times of India*, March 10, 1961; *External Assistance 1962*, pp. 4-6, 11-14.

[21] *Ibid.*

Of the Rs. 2,143 million allotted to India as loans from the receipts for the sale of American food, 462 million was given to financial corporations (Refinance Corporation of India, Industrial Finance Corporation, Industrial Credit and Investment Corporation) for crediting enterprises of the private sector.[22] The mechanism of settlements for imported food is as follows: the Indian Government makes payment in rupees to the American Embassy in India in amounts stipulated in the agreements. These payments are usually made in state short-term treasury notes which are subsequently redeemed with the money received from the sale of grain and other foods on the market. The U. S. Embassy deposits the money it receives in the State Bank of India and buys government securities quoted on the stock exchange. In recent years such deposits have exceeded Rs. 2,000 million.[23]

Regardless of whether all the food received has been sold on the Indian market or is kept at Indian government warehouses, the government has to deposit in the rupee account of the American Government, specially opened in the State Bank of India, the value of the delivered food and half of the freight costs in local currency. In practice this means that the Indian Government gives the United States an interest-free loan for all the time necessary for storing, transporting and selling the food, which of course increases its cost and necessitates budget subsidies.

The sums contributed by the Indian Government naturally belong to the American Government. The Indian Government cannot utilise these rupee "counterpart funds" without U. S. permission. This creates politically advantageous conditions: it gives the United States the latent opportunity to bring pressure to bear on Indian official circles. The American Government can make use of the rupee funds for the maintenance of its missions, embassies, consulates, centres, institutes, offices of various departments and also for wide-scale propaganda of the American way of life. It is also possible to financially support overt and covert political allies among India's reactionary circles. The Indian press is full of reports about such use of the counterpart funds. According to sources quoted by D. P. Shukla, who has made a study of U. S. propaganda in India and Asia, the amount on money which Americans keep in Indian currency under P. L. 480 runs into billions of rupees. The U. S. Embassy is not bound to render an account on how and where the money is spent; even before the 1962 elections the Indian Government was reported to have felt uneasy about these vast amounts and their use.[24]

Neither the first agreement on U. S. food deliveries nor the original text of P. L. 480 envisaged the investment of the rupee

[22] *External Assistance 1962*, pp. 11-12.
[23] *AICC Economic Review*, March 1, 1960, p. 9.
[24] D. P. Shukla, *CIA Over Asia*, Kanpur, 1962, pp. 12-13.

funds in the economy of the recipient country. Outwardly it seemed that the American monopolies were not particularly interested in this aspect, but that was not so in fact.

A year after the first agreement on food deliveries under P. L. 480, the U.S. Congress adopted an amendment to this law submitted by Senator Coolie, empowering the U. S. Government to assign up to 25 per cent of the rupee funds in the form of long-term credits and loans to American firms operating in countries receiving American food surpluses and to local firms associated with American capital.[25] Coolie was the spokesman of the American monopolies interested in penetrating the economy of the less developed countries.

At the end of 1959, it was decided that loans to American and private local companies from the rupee funds would be issued through the U. S. Export-Import Bank. A new period in implementing P. L. 480 began. The credits began to be regulated by a definite rule: in India priority was to be given to American firms which have branches there, Indian firms in some way associated with American firms and, lastly, to Indian firms which need both rupee and dollar credits.

The Refinance Corporation of India was specially organised in 1957 to finance private industrial enterprises with funds received from the sale of American food.[26] With the help of this corporation and some other organisations the American monopolies are penetrating medium and small-scale private enterprise and even handicraft enterprise to which they paid no serious attention in the past.

By accepting food loans, India has come face to face with the U.S. policy aimed at the deep penetration of American capital into the private capitalist sector of India. The purpose of this policy is to encourage the activity of U.S. capital in India, to speed the establishment of new branches of American firms, to promote close ties of local firms with American, to accelerate the mixing of American and Indian capital, to make Indian capitalists partners, to tie them to American enterprise, and to credit medium and small-scale Indian enterprise. Such are the consequences of a humane undertaking like food aid when it becomes an instrument of neo-colonialism in the hands of an imperialist state.

No wonder the American side has barred official Indian quarters from distributing loans to Indian and American companies from the counterpart funds. Formerly, credits to private business were given by agreement with Indian official agencies; this is no

[25] The first agreement on food deliveries under P. L. 480 passed by Congress in 1954, was signed in August 1956; the Coolie Amendment was passed in August 1957.
[26] *Commerce and Industry*, April 17, 1957, p. 13.

longer required. The management of the U.S. Export-Import Bank itself decides who is to get credits.

The *Economic Weekly*, reflecting the opinion of the more patriotic Indian businessmen, has rightly assessed the possible consequences of such concessions to American capital: "...The fear is that the only beneficiaries from the present agreement are going to be ten or fifteen large Indian firms which enjoy a reputation for creditworthiness and have contacts in Washington. Helping to make these big firms bigger, in turn, is bound to lead to increasing concentration of economic power in a few hands—precisely the type of development Indian national policy professes to be striving to prevent!" The journal notes that "this kind of direct lending may distort the pattern of India's social and economic development". [27]

Food exports of the United States in the form of aid have become a peculiar form of capital export. On the one hand, it is a means of financing government construction in the infrastructure (irrigation, hydroelectric and thermal stations, highways) in which American capital is interested; on the other, it has become a means of extending the investment possibilities of the American monopolies in India and a source for accelerating the development of India's private sector under the patronage of foreign capital and the wide application of the method of mixing foreign and national capital.

That such capital exports are convenient and economically advantageous for the American monopolies is obvious. Capital from the rupee funds is invested in a selective way, that is, by picking such objects of investment that should promote the sale of American goods. These investments must not create competition for the United States either in the Indian or other markets. That is the categorical demand of the Coolie Amendment.

It is clear that the procedure for utilising the counterpart funds and the corresponding investments both in the state and private sectors are in no way designed to facilitate India's genuine economic independence.

Let us see how the sum of Rs. 3,751 million, assigned from the counterpart funds for capital construction in the state sector and for other needs, is distributed. Calculations on p. 201, based on official data, give an idea of the utilisation of this sum by projects (million rupees). [28]

Only 3-4 per cent are allotted for industrial construction in the state sector, 12 per cent for financing private enterprise and 60 per cent for the development of the infrastructure. This composition of investments from the counterpart funds speaks for itself.

[27] *Economic Weekly*, November 7, 1959.
[28] Cf. *External Assistance 1962*, pp. 12-13.

	Allotted	Utilised
Mixed finance corporations for crediting private industry	462.0	250.0
Irrigation projects and hydroelectric stations	1,766.0	1,394.0
Thermal power stations	261.9	21.3
State highways	200.0	21.9
Granaries	103.5	44.9
Mineral fertiliser factory in Bombay	134.3	26.3
Anti-malaria drive	310.0	224.6
Indian institutes, study centres, universities, hospitals and other purposes	513.7	160.2

Let us see how the credits extended for private enterprise by the U.S. Export-Import Bank from the counterpart funds are distributed. Of the Rs. 160 million, 92 million have been given to large private mixed firms like Goodyear Tyre and Rubber Co. of India, Ltd., Synthetics and Chemicals, Ltd., and Hindustan Aluminium Corporation, Ltd. The rest of the credits were given to a limited number of Indian firms connected with American capital.

From 1958 onwards, food deliveries dominated U.S. aid, which enabled the United States to accumulate a huge sum of over Rs. 2,000 million on its account in the State Bank of India at the beginning of the Third Five-Year Plan. This figure has grown since then. Indian public opinion and business circles rightly consider that this is a menace to the stability of Indian finance and an instrument for bringing pressure to bear on the country's policy and economy.

Prof. V.K.R.V. Rao, former director of the Delhi School of Economics, said about the growing rupee funds that since the Indian currency obtained by a foreign power in this way was not utilised for financing exports or obtaining services, this foreign power could exert considerable influence, undesirable for India, on her domestic affairs. [29] May we add that this holds true for external as well as internal affairs.

There is some anxiety in the United States over the use of the rupee funds which are accumulating in India. Under the P.L. 480 agreements with India they cannot be converted into dollars and, moreover, India, even if she wanted to, could not do so because of her limited foreign-exchange resources. On the other hand, the U.S. Government has no right to spend this money in India without the sanction of U.S. Congress. In recent years the private sector in India has not been short of credits in local currency and the money market situation has been quite favourable for it. For this reason it took no great interest in American credits available from the rupee funds at an annual rate of 4-5 per cent. [30]

[29] *Congress Planning Subcommittee. Ooty Seminar. May 30-June 5, 1959*, New Delhi, 1959, p. 31.
[30] The growing counterpart funds are a direct loss to the Indian budget. The government has to pay interest on this deposit, while the large funds are

A partial solution to this problem was found at the end of 1960. The U.S. Government decided to allot a sum of Rs. 140 million in dollars through the Development Loan Fund for building a state-owned mineral fertiliser factory in Trombay. Since the full cost of the factory is about Rs. 280 million, the balance was to be covered by a loan from rupee receipts for agricultural surpluses. The factory will be run by an Indian state chemical corporation.

Following this precedent, a number of large Indian and American firms filed applications for the construction of similar factories in various areas—naturally, in the private sector. The concern of Birla, one of the biggest Indian capitalists, jointly with the U.S. International Minerals and Chemicals Corporation and the California Chemical Co., received a licence from the Indian Government to build in Visakhapatnam the first mineral fertiliser factory in the private sector. Its capacity is 350,000 tons and it gets raw materials from a nearby oil refinery of Caltex, an American company.

The government has also approved the building of an oil refinery in Kottagudem with the participation of British and American monopolies. There has been literally a flood of offers by American private firms to Indian firms to build fertiliser plants jointly. [31] Foreign-exchange outlays are to be covered by the foreign companies, and local currency outlays by Indian firms which can utilise American credits from the rupee funds. A number of private Indian firms, e.g., Kothari and Sons (Madras), are already building superphosphate factories with the help of foreign capital.

According to data published in the *Eastern Economist*, the leading journal of Indian big business, the private sector, including foreign enterprise, is steadily increasing its share of the productive capacity in the manufacture of fertilisers, to the detriment of the state sector. Of the total productive capacity of 326,000 tons of nitrogen fertilisers (as of August 1, 1963) the state sector accounted for 89.5 per cent and the private sector for 10.5 per cent. By the end of the Third Plan the share of the private sector will rise to 43 per cent and that of the state sector will correspondingly decline to 57 per cent. The private sector will expand its productive capacity in phosphorous fertilisers by 82 per cent, with the result that towards the end of the Third Plan it will account for 86 per cent of the entire capacity.

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not effectively utilised. It should be noted that the United States allocates millions of rupees for propaganda in India in the form of distribution of free or inexpensively priced books, magazines, newspapers and pamphlets which extol American policy and the American way of life (*New York Times*, December 5, 1960).

[31] Offers have been made by the following American companies: Philipps Petroleum Co., International Ore and Fertiliser Co., Nitro-Engineering and Chemical Corporation and the Westinghouse Electric Co. (*Times of India*. December 31, 1960).

These figures show that the principles of industrial policy and the original targets of the Third Plan in mineral fertiliser manufacture have undergone serious modifications in favour of private enterprise. The *Eastern Economist* was frankly ironical of the government's policy in this sphere when it wrote that "the public sector in the fertiliser industry seems to have bitten off more than it can chew", that "the government revised its policy of relying almost wholly on the public sector and decided to permit substantial development of this industry in the private sector as well". Private capital was expecting more concessions, for example, a "proper economic climate which is particularly important as foreign finance and technical collaboration have to be enlisted". According to the *Eastern Economist*, this calls for giving up control over fertiliser prices and trade. [32] In other words, once you give an inch you have to give a mile....

A breach has thus been made in the state monopoly of building fertiliser factories, proclaimed by the government in its 1956 declaration on industrial policy. Under pressure of big business this industry has ceased to be the province of the state sector. This is how the food loans have extended the sphere of activity and cooperation of Indian private capital and foreign monopoly capital. This is the case in other branches too, chiefly in the new industries.

* * *

The question of food aid to India should also be examined in the light of its influence on agriculture. In the past decade India has been short of approximately 2-4 million tons of grain annually (wheat and partly rice). Since the biggest wheat crop in recent years (1960/62) amounted to 11.8 million tons and the total harvest of all food grains to 89.9 million tons, [33] the average annual imports of grain from the United States amount to nearly 25 per cent of the total wheat crop and to 3-4 per cent of the crop of all food grains. Even under normal and favourable conditions for the development of agriculture (which are lacking in India) the huge imports of American wheat represent a definite threat to grain growing in the country. U.S. grain deliveries do not stimulate an extension of the area under wheat. Producers are trying to replace food crops by industrial crops, and this reduces the growth rate of food production and makes India chronically dependent on American grain.

If we take the period of biggest imports of American grain we can clearly see that these were years when the situation was particularly unfavourable for the sowing of rice and wheat (see Table 34).

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[32] "The Battle of Industrial Production", *Eastern Economist Annual Number 1964*, New Delhi, December 27, 1963, pp. 1374, 1375, 1383.

[33] *Far Eastern Economic Review. 1964 Yearbook*, Hongkong, pp. 173, 174.

Table 34

Grain Imports and Areas Sown to Wheat and Rice *

Year	Imports, thousand tons	Sown area, million acres	
		wheat	rice
1956	1,420	30.5	77.9
1957	3,582	33.4	79.7
1958	3,178	29.3	79.4
1959	3,807	31.1	81.4
1960	4,488	31.5	81.3

* Source: *India. A Reference Annual 1961*, New Delhi, 1961, pp. 244, 248.

The area under wheat remained practically unchanged during 1956-1960. Cultivation of this major food crop marked time for several years. The 10 per cent increase in wheat area in 1957/58 was not maintained in subsequent years, with bigger grain imports being a contributing factor. The grain production index (1950=100) reached 139.9 for 1960/61 and then receded to 137.1 for 1961/1962 and 131.3 for 1962/63. Between 1956 and 1961, despite the imports of nearly 21 million tons of food grain, the per capita supply remained extremely low and did not show any worthwhile increase. In 1956, it was 14.9 ounces of cereals and legumes per capita daily; 15.3 in 1957, 14.1 in 1958, 16.2 in 1959, 15.7 in 1960 and 16.2 in 1961. In 1962-1963, grain production decreased by nearly 4 million tons, while the population increased by 22 million. The country's food supply sharply deteriorated, the American supplies increased and a real threat of famine arose. Prices of grain rose steeply.

It is becoming clear that the food problem cannot be solved by constant grain imports from the United States. This is being realised by Indian politicians and economists. At the Delhi Seminar on "Food for Peace" in which members of the American agencies in India and Indian economists took part, one of the Indian participants pointed out that food imports had been a disincentive not so much to the Indian farmer as to the Indian Government insofar as it had lost the "keen sense of urgency about developing Indian agriculture".[34]

H. Laxminarayan, a prominent Indian economist, has said: "In the long run, the solution to our food problem will have to come through our own efforts. This will depend as much on the initiative of the government as on that of the people.... We should not depend on P. L. 480 aid for any thing more than the temporary

[4] *Economic Weekly*, February 24, 1962.

respite which it provides for stepping up our food production and development of our agriculture."[35]

Systematic food imports are becoming a very costly way of compensating the capitalists and reactionary landowners who do not want to implement even the minimal land reforms which have been so widely publicised.

American grain imports are an emergency measure which temporarily alleviates the situation in the Indian food market and lessens the threat of starvation in some areas. At the same time, it is supposed to prevent mass dissatisfaction over the systematic food shortage and the rising cost of living. This suits the ruling classes and promotes their ties with the U. S. monopolies.

Food imports from the United States, however, do not lessen India's economic dependence. By its aid the United States is tying India to its market, the *Eastern Economist* declares.[36] This is clearly revealed by the foreign-trade balance of the two countries (Table 35). It has been especially unfavourable for India ever since American food exports increased.

Table 35

Exports, Imports and the Balance of Trade Between India and the United States
(million rupees) *

Year	Exports from India to the U. S. A.	Imports to India from the U. S. A.	U. S.-India balance of trade
1955	924.2	877.6	—46.6
1956	898.0	942.1	+44.1
1957	1,313.9	1,703.2	+389.3
1958	925.6	1,614.6	+689.0
1959	951.2	1,954.3	+1,003.1
1960	1,025.0	2,390.0	+1,365.0
1961	1,180.9	2,010.0	+829.1
1962	1,133.3	2,967.6	+1,834.3
1963	1,287.6	3,447.6	+2,160.0
Total...	9,639.7	17,907.0	+8,267.3

* Sources: *Economic Bulletin for Asia and the Far East*, Bangkok, June 1962, p. 52; September 1964, p. 59.

The extremely unfavourable balance of trade with the United States increases India's dollar debt, creates serious obstacles to extending export trade with other countries, weakens India's financial stability and international financial relations.

[35] *Economic Weekly*, September 24, 1960.
[36] *Eastern Economist* (*Annual Supplement*), January 1961.

India's dollar debt rose from Rs. 168 million in 1950 to 1,176 million in 1956, 3,590 million in 1960, 5,214 million in 1961 and Rs. 8,217 million in the 1962/63 fiscal year.[37]

American food deliveries to India and other Southeast Asian countries are disturbing the long-standing market ties between different areas. Burma and Thailand are big rice producers; for them rice exports to India, Pakistan, Ceylon and Indonesia are of prime importance and make up the backbone of their export trade. The U. S. invasion of the Asian food market has inflicted considerable harm on the rice-producing countries (see Table 36) without bringing any benefits to the rice-consuming countries.

Table 36

Average Monthly Rice Exports of Burma and Thailand *

Year	Burma		Thailand	
	Thousand tons	Receipts, million kyats	Thousand tons	Receipts, million baht
1954	127.6	79.4	83.5	257.2
1955	141.5	68.1	102.6	261.1
1956	162.1	72.3	105.1	238.4
1957	155.7	66.7	130.8	301.9
1958	127.7	57.0	88.8	248.8
1959	141.1	63.2	91.5	215.9
1960	152.2	60.1	100.7	215.1
1961	136.7	59.0	131.8	301.0
1962	145.6	66.8	105.9	274.5
1963	139.2	—	120.1	289.7
Last year, percentage of 1954	109	84	144	112

* Source: *Economic Bulletin for Asia and the Far East*, September 1960, pp. 60-62, 68; September 1964, pp. 67-69.

The rice export trade in these countries failed to improve in 1964. Value per export unit continued to decline. It was during this period that American exports of wheat and rice to Asian countries continued to increase.

In view of the systematic fall in prices, the quantities of rice exported from Burma and Thailand increased but the receipts systematically declined. This worsened the condition of the peasant rice growers, adversely affected the economic development projects of the rice-producing countries and increased their economic dependence on the world capitalist food market dominated by the United States.

[37] *India. A Reference Annual 1960*, p. 233; *Reserve Bank of India Bulletin*, May 1961, pp. 680-681; *India. Economic Information 1962*, New Delhi, 1962, p. 140.

A special study by the U.N. Food and Agricultural Organisation, dealing with the use of agricultural surpluses to finance economic development in the less developed countries, contains the admission that "there is nothing that surplus products could do to help speed the progress or to increase the levels of consumption and of production".[38] This refutes the statements of American politicians and economists that U.S. food aid is vastly important to the less developed countries.

The chronic food crisis in India is inherent in the system of agrarian relations prevailing in the Indian countryside. No injection of food from abroad, however large, can cure the chronic crisis of agriculture which in 1964 led to a steep rise in food prices, widespread starvation and, naturally, mass dissatisfaction.

The London *Times* writes that for the past three years production of food grains in India has been static. "The rising prices... are the plainest symptoms of another area of danger, the failure of India's development effort to keep the country's food production increasing." Noting that "the failure to get the peasant to grow more food may be in part a symptom of a general clogging of the channels of administration, that should conduct the will of government", the *Times* comes to the following conclusion: "Unless the quantity of American food is increased the stagnation in agriculture will before long make itself painfully felt."[39]

One finds it hard to agree with this conclusion. We have shown that although American food deliveries ease the situation for a time (in semi-starvation conditions imported grain is better than no grain at all), food imports are of particular advantage to Indian big business because it receives, in the form of credits, a considerable part of the money obtained from the sale of American food. The big capitalists are more interested in food imports from the United States than in a radical solution of the food problem in India herself on the basis of social reforms and technical reorganisation of agriculture.

About the time when the above article appeared, the Soviet Union signed an agreement with India (June 7, 1964) on assistance in organising a large mechanised state farm on 29,640 acres in the Jessore area, similar to the well-known Suratgarh farm, for which the Soviet Union provided the machinery and equipment as a gift to India in 1956. It will be recalled that Nehru, who was a realistic political leader and well understood the great importance of food self-sufficiency for India, held that his country should organise a hundred state farms. This would require approximately from 3 to 4 million acres of land suitable for cultivation and would guarantee, at the lowest estimates, from 3 to 4 million

[38] *Economic Weekly*, May 30, 1959.
[39] *Times*, June 16, 1964.

tons of wheat or rice, as much and even more than India buys annually from the United States.

Previously, conservative and reactionary Indian economists and politicians, after exhausting all arguments against the "socialisation" of agriculture and the establishment of state farms, usually resorted to the last, and what seemed to them the most convincing argument—that large state farms are unprofitable. Today this argument holds no water. Operation of the large mechanised state farm in Suratgarh for eight years has proved that it is highly profitable. In 1962/63, this farm received Rs. 1,265,000 of net profit. And this is only the beginning. India has nearly 100 million acres of land suitable for cultivation but untilled. Unused and virgin lands require a certain minimum of investment, which can be fully repaid in the first 2 or 3 years and then can bring a net income of from 4 to 8 per cent annually. It took eight years of struggle within the ruling circles to start building, with the help of the Soviet Union, another large state farm. This was done only on the insistence of Prime Minister Nehru, after a special committee, formed in 1959, confirmed the expediency of organising such farms.

In other words, there are forces which do not want India to become self-sufficient in her food supply and are interested in keeping nearly 500 million people dependent on American wheat. Who stands to benefit? Find the answer to this question and every piece of the jigsaw puzzle falls into place. It is of benefit to the enemies of the Indian people both at home and abroad.

The organisation of even 100 large state farms naturally would not provide food and raw materials for the swiftly growing population and developing industry. For this a radical reconstruction of the entire land system of India is required, and her agriculture would have to be put on a modern basis.

Experience shows the importance of developing irrigated farming in the arid regions and manufacturing chemical fertilisers on a large scale. But the development of large state farms and agricultural cooperatives will lay the basis for freeing India from foreign dependence in a major field of the economy—provision of the people with food.

American food imports bring India, like the other less developed countries, temporary alleviation, but they cannot promote the country's rapid economic advance. Food is swiftly consumed and more has to be imported. In other words, aid is rendered but the economic situation is not improved.

Without solving the agrarian question in favour of the peasantry, Indian ruling circles are unable to fully solve the food question either. Becoming increasingly dependent on grain imports, India is faced with the imperative necessity of solving the food problem

through democratic land reforms and the reorganisation of the technology and economics of agriculture, its cooperation and the establishment of many large, highly efficient state grain farms.

Indian economists and politicians are aware that American food and financial aid, very costly as such, does not create new productive forces which could become a source of the country's wealth and a requisite for extending its industrial and agricultural potential. American aid to India hardly stimulates the production of means of production and for this reason has not exerted any serious influence on its industrialisation. Without solving radical problems of India's economic development, American food and financial aid makes it necessary to apply for more and more aid. It may be assumed that this is its real, artfully concealed political and economic purpose. As a result of such relations the economic dependence of the less developed countries is not reduced adequately in scale and pace. Apart from being a heritage of colonial domination, economic dependence is becoming a result of the neo-colonialist relations whose sphere is, as a rule, extended if no resistance is put up. Ultimately, these relations begin to sap and destroy the wellsprings of national wealth in the less developed countries, they disorganise the economy, increase the insecurity of the working people, depress their low living standard, and undermine independence. All this naturally runs counter to the people's vital interests.

Aid Under the Indo-U.S. Technical Cooperation Programme, Through the Development Loan Fund and U.S. Export-Import Bank

Credits to India under the Indo-U. S. Technical Cooperation Programme, including allotments for the payment and training of technicians, amounted as of December 21, 1962, to Rs. 2,104 million (including Rs. 1,424 million of non-repayable credits), Rs. 4,449 million from the Development Loan Fund and Rs. 1,395 million from the U. S. Export-Import Bank.[40]

Approximately 100 agreements have been concluded by both countries since 1952 under the *Indo-U. S. Technical Cooperation Programme*. Since projects of the coordinated programme are financed jointly, the most important question is the share of each side. Under 36 of the major agreements the United States undertook to spend Rs. 635 million, while the expenditure of the Indian Government ran to Rs. 5,300 million, or eight times as much.[41] The ratio gives an idea of this type of American aid.

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[40] *External Assistance 1962*, p. 83.

[41] *External Assistance 1962*, pp. 1-8; *Report of Indo-U.S. Technical Cooperation Programme 1960*, pp. 130-132.

Agreements under the Indo-U. S. Technical Cooperation Programme at times require big outlays on the part of India in which the share of U. S. aid is insignificant. The United States usually covers the expenditure in foreign exchange. India pays all the local rupee expenses—the cost of construction of buildings and installations, transportation, local materials, payment for the services of American specialists and the maintenance of Indian trainees. Approximately 20 per cent of the sum granted under this programme have been received by the Indian Government in the form of loans and donations from the rupee funds accumulated from the sale of American wheat and cotton.

Since 1955, India has been paying an annual interest rate of 4 per cent on credits under the Technical Cooperation Programme. It has 40 years to repay the loans in semi-annual installments while formerly these credits were non-repayable. Thus, the terms of this type of aid do not differ essentially from ordinary credits.

American deliveries under the 100 agreements concluded up to February 30, 1960, were distributed as follows (percentage of total): [42]

Agriculture	27.8
Including:	
deliveries of ferrous metals	5.3
fertilisers	9.2
equipment for irrigation wells	5.4
Industry	19.2
Including:	
ferrous metals	11.0
equipment for power stations	3.9
Transport	25.9
Including:	
ferrous metals and rolling stock for the railways	25.2
Special services (communal development)	3.8
Public health services (delivery of D. D. T.)	19.9
Education (delivery of special equipment and books)	2.5
Other items	0.9

Deliveries of ferrous metals and rolling stock for India's agriculture, industry and transport make up almost 40 per cent of the sum allocated under the Technical Cooperation Programme. India needed both metal and rolling stock, especially prior to 1957. The United States was also interested in Indian orders because its steel and transport machinery industries were operating below capacity. This entire operation was highly profitable for the American monopolies since the loans carried an interest rate of 4 per cent, prices were 20-25 per cent higher than the world average and the goods were transported by American shipping companies which charged high freight rates.

[42] *Report of Indo-U. S. Technical Cooperation Programme*, pp. 130-132.

Mention should be made of the way American specialists are utilised in India. Of the 229 American specialists who came to India between 1955 and 1959, 116 were employed in the ministries and departments of the central government and the governments of the states, 103 worked in research and higher educational establishments and only 10 directly at industrial enterprises.[43]

The location of American specialists chiefly in central and local government agencies meets the interests of the United States; this ensures contacts of the American monopolies with the upper echelons of the governmental machine, science and higher education.

The Development Loan Fund of the U. S. Government was set up in 1958. Recognition by American official quarters of the inadequacy of previous sources and forms of aid to less developed countries and sharp criticism of its inefficacy resulted in the reorganisation of the Development Loan Fund into the Agency for International Development in 1961. The main reason for creating this new organisation was to counteract the assistance rendered by the Soviet Union and the other socialist countries which had grown in scale, was more efficient and provided on easier terms than American aid.

From 1958 to December 31, 1962, the long-term dollar loans of the Development Loan Fund—Agency for International Development reached $4,500 million. The distribution of these loans was as follows: [44]

	Sum, million dollars	Percentage of total
Purchase of ferrous and non-ferrous metals and other goods (units, assemblies, spare parts, etc.), chiefly for the private sector	1,038	23.3
Purchase of equipment and rolling stock for the railways and motor transport	930	20.9
Payment for technical assistance and for power projects equipment	1,204	27.0
Purchase of equipment for industrial enterprises, financing of private sector and other needs	1,328	28.8

More of the credits of the Development Loan Fund—Agency for International Development go for productive purposes than in the case of other credits. The share allotted for the purchase of industrial and transport equipment amounts to about 50 per cent of the total, while the rest is designated for the purchase of metal, spare parts and power equipment. Nevertheless, these loans have the same basic shortcomings as the others: they do not promote a swift growth of India's capacity for producing equipment.

Almost 60 per cent of the credits for industrial purposes granted by the Fund to the private sector serve to extend and consolidate the positions of Indian big business. The Development Loan Fund

[43] *Ibid.*, pp. 243-249.

[44] Compiled from *External Assistance 1962*, pp. 6-8, 83.

gave India a loan of $30 million (Rs. 140 million) for building a state mineral fertiliser factory in Trombay, provided the Indian Government allowed private, including American, capital to build five similar factories. This was an important concession by India, since the access of private capital to the fertiliser industry had been prohibited by law.

The credits of the Development Loan Fund are given in dollars. Prior to October 1959 they could be utilised for the purchase of goods and payment for services in any country. Since October 1959 they can be utilised only in the United States.

The relatively greater flexibility of the Fund's policy is manifested in that the recipient can repay the credits in dollars or in local currency at his own discretion. Credits of the Development Loan Fund, which prior to its reorganisation amounted to Rs. 2,431 million, are repaid in rupees. The loans given by the Agency for International Development are repaid in a differentiated way: the government redeems them over 40 years paying an annual interest of 0,75 per cent; private firms receive loans for 9-18 years, and pay an interest of 0.75 per cent to the creditor and from 2.75 to 5 per cent to the Indian Government. Private firms have the option of repaying the loan and paying interest not to the Agency for International Development but to the Indian Government in rupees; the latter then repays it in dollars over 40 years. This mechanism of loan redemption is quite interesting. It links the foreign creditor—the financial administration of an imperialist country—with big Indian capitalists, while the Indian Government acts as the patron of the latter.

The neo-colonialist tendency in the policy of the Development Loan Fund prior to its reorganisation was that it charged an interest of 3.5 per cent on loans designated for the purchase of rolling stock, power equipment, metals and parts, and 5.5-5.75 per cent on loans for industrial purposes, which is 2-2.5 times higher than the interest on Soviet credits extended for the building of heavy industry enterprises in India.

Although they are a step forward as compared with credits from other American sources, the credits of the Development Loan Fund—Agency for International Development cannot be compared in designation, composition and interest rates with loans from the Sov et Union and the other socialist countries, which constitute truly disinterested assistance in promoting India's industrialisation.

The U. S. Export-Import Bank has also granted India dollar loans. The first loan of $ 150 million, announced in June 1958, evoked much press comment because, as pointed out in the agreement, two-thirds of the loan were for the state sector and only one-third for the private sector. The loan was intended for the purchase in the United States of capital equipment, machines and spare parts for transport, communications, irrigation, land reclamation, the power industry and for enterprises of the aluminium, textile, chemical, metal-working, motor and mining industries, primarily in the state sector. The loan was for 15 years, with redemption in 20 semi-annual instalments beginning in 1964.

The loan itself was expensive (an annual interest rate of 5.25 per cent) and, moreover, it was made conditional on the purchase of costly American equipment and the payment of high freight and technical service rates. As a result, by the end of 1962, orders for $ 145.5 million had been placed in the United States on account of this loan, of which 40 per cent were for the state sector and 60 per cent for the private sector. In view of the disadvantageous terms of the loan and the high cost of the equipment, the state sector, on the advice of official quarters, ceded a big part of the loan to the private sector. Actually, almost two-thirds of the sum designated for the state sector were utilised by the private sector.[45] That was the first effort of the American monopolies to "support" the development of India's state economy.

The loan to the state sector went primarily for the purchase of mining equipment and to the private sector, for the purchase of equipment for the textile, chemical, motor, aluminium and mining industries.[46] Small-scale industry in the private sector received equipment for $ 600,000, that is, an infinitesimal part.

This loan, advertised as the harbinger of a new era in U. S.-Indian economic relations, proved to be an instrument for strengthening the big Indian bourgeoisie and the country's pro-American monopoly circles.

Between 1959 and 1962, the Export-Import Bank increasingly gave dollar loans to private Indian firms, especially those which collaborated with American monopoly capital by forming mixed companies. In January 1961, an agreement was signed concerning credits of $ 50 million, on account of the 1958 loan, for the purchase in the United States of capital equipment and spare parts, payment for technical assistance to Indian private firms in the textile, metal-working, engineering, chemical and coal industries, and partly for the purchase of equipment and spare parts for mining, transport and communications in the state sector. The credit was for 15 years at an annual interest rate of 5.75, with repayment to begin in 1966.

By December 31, 1962, the U. S. Export-Import Bank had extended four more loans (without the participation of the Indian Government) totalling $ 34 million to mixed Indo-American companies. A substantial part was designated for Indo-American companies—Hindustan Aluminium Corporation in which the American Kaiser concern participates ($ 13.6 million); the Indo-American

[45] *Statesman*, January 29, 1959; *Commerce*, January 30, 1959, p. 889.
[46] *External Assistance 1962*, pp. 8-10.

National Rayon Corporation in which the American Skenandoa Rayon Corporation of Utica is interested ($1.8 million), and other mixed corporations. Together with the share in the first 1958 loan, Indian big private enterprise received from the Bank almost $ 200 million out of the total $ 272 million it extended to India.[47]

The Export-Import Bank, like the International Bank for Reconstruction and Development, looks after the interests of the American monopolies even when it finances, for example, certain state power projects from the counterpart fund.

A case in point are the hydroelectric stations being built with the help of Exim credits at Rihand (Uttar Pradesh) and Chambal (Rajasthan). The first will supply a considerable part of its power to an aluminium plant belonging to a private company, Hindustan Aluminium Corporation, which is closely connected with American monopoly capital.

In 1960, agreements were reached on financing, through the Development Loan Fund, the construction of thermal stations in Chandrapura, Durgapur, Cawnpore and Barauni—districts where metallurgical and chemical plants and oil refineries are being built and in which the United States is taking an interest. The private aluminium plant going up in Dharwar has been given credit by the Export-Import Bank. It also finances the building of a hydroelectric station on the Sharavati River (Madras) which will supply power to this plant. A large private aluminium plant on the Koyna River (annual capacity 20,000 tons), scheduled for construction under the Third Plan, will also receive power from a hydroelectric station financed by the Export-Import Bank and the I.B.R.D.[48]

It is clear that the financial policy of the Export-Import Bank aims to reinforce the monopoly groups of the Indian bourgeoisie and extend their ties with the U. S. monopolies. This process also has its effect in the political sphere: pressure by local big business on official circles and a growth of reactionary tendencies among the national bourgeoisie. Indian progressive opinion is fighting against this process which is neo-colonialist in essence.

It is noteworthy that India does not make full use of the loans extended by the United States. In the private sector the utilisation of loans received from all sources is about 60 per cent and in the state sector, about 40 per cent.

One reason for the cautious use of American loans is that the carrying out of many projects under the Second Five-Year Plan was suspended or put off for the next budget period.

The prime reason for the slow utilisation of American loans, however, is their disadvantageous terms: relatively high interest

[47] *Ibid.*
[48] *Eastern Economist*, June 16, 1961.

rates, repayment of most of the loans in dollars, and the obligation to buy only American goods, at prices higher than elsewhere.

Prices of American equipment are a very important matter for India. The demand to spend American loans in the U. S. market cannot be considered unusual or unjust in business relations. Loans received by India from the Soviet Union are extended for the purchase of goods or the employment of services of the loan-giving country. The difference is, however, that the cost of American capital equipment is from 30 to 40 per cent higher than world market prices. This means that when giving dollar loans to India for the purchase of plant Washington compels her to hand over huge sums to the American monopolies.

Assessing the competition of the U.S.S.R. and the U.S.A. on the world equipment market, *Industrieblatt* writes: "The Soviet Union is doing its utmost to deliver high-quality equipment on the world market.... To compete successfully with the Soviet Union the West has ... to reduce the prices of equipment by 33 per cent, and the United States by 50 per cent."[49]

J. Warburg, well-known American financier who has made a detailed study of prices of the American equipment delivered under U. S. loans, claims that they are higher than the average world prices by about 40 per cent.[50] The *Journal of Commerce*, well-informed organ of U. S. business, writes that in the opinion of Indian officials the prices of many types of U.S. equipment are 100 and even 200 per cent higher than those in Europe and Japan.[51]

The official ruling of the U. S. Government that loan recipients must buy American has staggered Indian financial circles. In most cases, when applied to the equipment market, this condition means that the buyer gets not the equipment he needs, but goods which American monopolies have to sell. The *U. S. News and World Report* writes: "Indians consider U. S. prices too high and their own resources too limited to be spent except after competitive bidding."[52]

Loans from the International Bank for Reconstruction and Development

Loans from the I.B.R.D. which the United States dominates, hold a special place in Washington's neo-colonialist policy.

When India started to build large enterprises in the state sector the I.B.R.D. took a definite stand. The American press reported

[49] *Industrieblatt*, No. 4, 1961, p. 227.
[50] *The Annals of the American Academy of Political and Social Science*, September 1959.
[51] *Journal of Commerce*, September 30, 1959.
[52] *U. S. News and World Report*, December 12, 1960.

that responsible U. S. leaders wanted the aid programme to help reinforce capitalism in the less developed countries at the expense of the socialised (state) sector and it was felt that U. S. influence in the Bank was directed at achieving this aim. The first I.B.R.D. loans to the Indian Government were granted in 1949. In its relations with India the Bank has tried on many occasions to exert pressure and interfere in the country's domestic affairs.

An I.B.R.D. mission headed by Eugene Black, the Bank's American President, declared in 1956 that the Bank wanted "every encouragement" for private enterprise, both Indian and foreign. "We feel," said Black, "that we will have to consider the pace and scale of our further loan operations in India from time to time in the light of the economic conditions and prospects, taking into consideration the economic policies which are pursued by your (the Indian.—*R. U.*) government."[53] Indian public opinion was incensed by this statement, considering it an attempt to exert pressure on a sovereign state.

Another mission of the Bank visited India in 1958 when the country was experiencing serious foreign-exchange difficulties. The report of the mission, as before, demanded a cut in outlays on the purchase of foreign equipment, a reduction in the government social services, including sums earmarked for social insurance, lower taxes on the capitalists' incomes and an extension of private investment in industry by curtailing state investment.[54] These recommendations were likewise rejected.

When the Fourth Five-Year Plan was being drafted in May 1964, the I.B.R.D. again showed great interest in Indian economic policy, hoping that after Nehru's death the Bank's recommendations to restrain the growth rate of industry would be received more favourably by public opinion and the ruling circles. The I.B.R.D. as much as told India that the contemplated annual growth rate of 7 per cent in the Fourth Plan should be reduced to 4.5 per cent and investment should be cut by Rs. 4,000 million. The Bank's experts offered, if invited by the Indian Government, to make a thorough study of India's economic potentialities and report to the international consortium on aid to India whether she was making proper use of the funds she was getting. The purpose of this "diplomacy of economic development", as Eugene Black called it in his book,[55] is clear: it is to bring financial pressure to bear on Indian ruling circles, to prevent the planning of high industrial growth rates, to undermine and weaken the policy of building up the key industries in the state sector, to make the country and its people recognise the role of private enterprise as decisive and, lastly, openly to intervene in the sovereign affairs of India, in its independent economic planning.

Long-term credits for the development of key heavy industrial and engineering enterprises, amounting to Rs. 1,391 million or $ 295 million (as of December 31, 1962), were given solely to big private concerns.[56] This is 36 per cent of all the Bank's loans to India. The nature of the credits is not accidental. It is determined, on the one hand, by the fundamentally adverse attitude to India's industrialisation on a state basis, and, on the other, by the American monopolies allocating big long-term credits to the Indian monopolies, through international financial organisations.

The interest rate on credits of the International Bank ranges from 3,5 per cent on India's purchases of agricultural machinery in the United States, to 5-6 per cent on the purchase of railway supplies or equipment for extending the Tata Iron and Steel. It is from 50 to 100 per cent higher than the interest on credits for industrial purposes extended by the Soviet Union—and also above the average world interest rates.

I.B.R.D. loans are also burdensome for the private recipient. The first Bank loan to the Tata Iron and Steel (agreement of June 26, 1956) obliged the concern to buy goods only in the United States, to allot 0.75 per cent of the loan for the administrative expenses of the loan-giver and stipulated the Bank's right to control the plans, specifications, production schedule and the financial position of the concern and also the right to make inspection and obtain any information. Subsequent loans to Tata's concern and the Indian Iron and Steel were given on similar terms.

Some idea of I.B.R.D. loans to India can be gained from Table 37.

The Bank became very active during the Second and Third Five-Year Plan periods (1956-1966). Prior to that, it had granted only 10 per cent of its total loans to India; during the Second Plan this had risen to 54 per cent and in the first two years of the Third Plan, 36 per cent.

The increased activity of the Bank in 1956-1966 is explained by the general political line of international financial organisations; they stepped up their interest in the developing countries, particularly India which registered the first successes in industrialisation. Growing Soviet assistance in India's industrialisation along state lines played a key part in shaping the loan policy of the Bank.

[53] *Financial Times*, October 12, 1956.
[54] *Financial Times*, September 9, 1958.
[55] E. Black, *The Diplomacy of Economic Development*, Cambridge (Mass.), 1960.
[56] *External Assistance 1962*, p. 75.

Table 37

Loans from the I.B.R.D. and the International Development Association* to India between 1949 and 1962
(million dollars) **

	Authorised			Used		
	Total	To the state sector	To the private sector	Total	By the state sector	By the private sector
1949-1955 (up to the end of the First Plan) . .	120.3	67.2	53.1	119.3	67.2	52.1
1956-1961 (Second Plan)	572.6	405.3	167.3	501.9	355.4	146.5
April 1, 1961-December 31, 1962 (first two years of the Third Plan)	337.0	262.5	74.5	32.1	32.1	—
Total	1,029.9	735.0	294.9	653.3	454.7	198.6

* The International Development Association (I.D.A.), organised in September 1960, is a branch of the I.B.R.D. and is usually referred to as the "Second Bank".

** Source: *External Assistance 1962*, pp. 72-76.

The I.B.R.D. offered keen resistance to the development of heavy and manufacturing industries in India's state sector by attempting to reinforce the private monopolies in these branches. For this the economic might of Indian big business had to be consolidated and its activity extended. The Bank's loan policy is clearly revealed by figures in Table 38.

Thus, the I.B.R.D. is giving the state sector loans for the development of rail, sea and air transport and for the building of power and irrigation projects. But the private sector is given loans for the development of heavy industry. Tata Iron and Steel obtained two loans totalling $ 107.5 million (in 1956 and 1957) for extending its steel plant in Jamshedpur, which is done under the guidance of the American Kaiser concern. Indian Iron and Steel which is controlled by a British managing agency received three loans (in 1952, 1956 and 1961) for extending production. Tata was given two loans for building a thermal power plant in Trombay, centre of the Indian atomic industry near Bombay. The Bank has also given $ 60 million to the Industrial Credit and Investment Corporation controlled by the Tata concern. The Corporation is financing large-scale Indian private enterprise.

Table 38

Distribution of the I.B.R.D.— I.D.A. Loans to India
(as of December 3, 1962)*

	Sum of loans, million dollars	Percentage of total
I. State sector	735.0	71.3
Including:		
Agriculture	7.2	0.7
Irrigation and land reclamation	43.5	4.2
Railways (rails, rolling stock, locomotives)	377.7	36.7
Communications	42.0	4.1
Highways	60.0	5.8
Reconstruction of ports (Calcutta, Madras, Bombay)	83.0	8.0
Purchase of planes	5.6	0.5
Power projects (Damodar, Koyna, Durgapur, Purna)	116.0	11.3
II. Private sector	294.9	28.7
Including loans to big Indian concerns		
Tata Iron and Steel:		
expansion of steel works	107.5	10.6
building of a thermal power plant in Trombay	23.7	2.3
Indian Iron and Steel:		
expansion of steel production	68.7	6.7
Industrial Credit and Investment Corporation of India**.	60.0	5.8
Coal industry	35.0	3.3
Total . . .	1,029.9	100

* Source: *External Assistance 1962*, pp. 74-76.

** A mixed finance corporation of Indian and foreign capital; the latter owns 30 per cent of the shares. It was set up at the request of the I.B.R.D.

The I.B.R.D. is allotting big funds, on the one hand, for the development of India's territory by building up the infrastructure (transport, irrigation, power) at the expense of the state; on the other, it gives preference to private, and not to state, large-scale industry. The data above show that the American monopolies take a considerable interest in the country's railway network, ports, power industry and specifically the big power project which is being developed in the valleys of the Damodar, Koyna and Purna rivers.

Why is such a trend in credits advantageous to the I.B.R.D., the United States and the other imperialist countries? Because the accelerated building of a modern state industry in India is the most effective way of attaining economic independence and

improving India's position in the international social division of labour—and this is something no imperialist power wants to see. Large-scale industry, being the foundation of economic independence, is at the same time a means for improving the country's competitive position in the struggle against the foreign monopolies, first and foremost the U.S. monopolies trying to capture the Indian market and exploit India's resources, if possible without any control.

The I.B.R.D., like the U.S. Export-Import Bank, naturally avoids investments in state industry because they increase India's industrial potential and facilitate the gradual attainment of economic independence. Such investments also stiffen resistance to neo-colonialism. On the other hand, investments in the infrastructure, while developing the country's transport and power potential, do not directly lead to industrial independence and do not exacerbate competition with foreign capital and goods. To a certain extent, foreign investments in the infrastructure are of advantage to India. They release a certain part of the budget funds for the development of the state sector. But they are of no less advantage to private Indian and foreign enterprise because they accelerate the process of capital accumulation and extended reproduction, ensure big profits and the possibility of making direct investment in industry without any preliminary outlays on the infrastructure. The biggest advantage is derived by private enterprise as a whole and big business in particular.

The U.S. monopolies, unable to establish direct control over key state projects in transport and power, which are legally protected from the penetration of private foreign capital, are trying to influence them through the Export-Import Bank, the I.B.R.D. and other financial organisations. No wonder the active penetration of I.B.R.D. capital in the power industry is accompanied by no less intensive inroads of private American capital, in alliance with private Indian capital, in the non-ferrous metal industry, primarily with the object of establishing a monopoly of aluminium production.

Let us recall that the resolution on industrial policy passed by the Indian Parliament in 1956, envisaged a progressive increase in the share of the state in the aluminium industry. But actually the entire output of aluminium in India is now produced by private companies. In 1950, aluminium production amounted to 3,700 tons; it rose to 35,400 tons in 1960, with the entire increase being contributed by private companies.[57]

The first section of the large hydroelectric station in Hirakud (Orissa), built in the state sector with the help of I.B.R.D. credits, is to supply power to the Hirakud aluminium plant. The latter belongs to a mixed firm, Indian Aluminium Company, in which foreign capital controlled by the Morgan group participates. In the next few years the company is to expand output by 10,000 tons and become one of the biggest producers in India (30,000 tons out of 87,500 tons under the Third Plan).

Hindustan Aluminium Corporation which has been given a government license for trebling its productive capacity—from 20,000 to 60,000 tons annually—belongs to the Indian monopolist Birla and the U.S. Kaiser concern.

The Aluminium Corporation of India is owned by the Indian monopolist Singhania who has close ties with American capital.

Aluminium production requires much electric power. That is why the I.B.R.D. is so concerned over the development of a power industry to serve the needs of the Indian and foreign monopolies in this highly promising branch of private enterprise. To complete the picture, we should add that the project for a large state aluminium plant in Madhya Pradesh, envisaged in the Second Plan, has not been realised.

The I.B.R.D., American and big Indian capital have jointly fought against the monopoly of building aluminium and mineral fertiliser plants proclaimed by the Indian Government. This is a graphic lesson to many Indian leaders who asserted that concessions to private foreign enterprise were of no essential importance.

The question arises, why did private American capital show no great interest in investment in India up to the end of the 1950's? What was the special mission of the I.B.R.D., the Export-Import Bank and other agencies in stimulating this interest? This question was examined in detail by a special U.S. Congress subcommittee in 1960. Their conclusions are worthy of attention.

Douglas Dillon, at that time Under Secretary of State, told the subcommittee: "The low level of labour skills, the limited local market, the absence of basic facilities such as roads, power and communications on which private enterprise depends, the uncertain political climate are all obstacles to a greater flow of private funds."[58]

In view of this, the I.B.R.D. and other U.S.-dominated financial organisations had to make contacts with the ruling circles and local big business and seek from the Indian Government concessions and "normal" conditions for the operation of the big American monopolies. It must be said that the activities of the Bank have produced some results. It has succeeded in bringing about a settlement of a number of intricate problems in favour of the foreign and local monopolies, in getting them to mix their capital and

[57] "The Battle of Industrial Production", *Eastern Economist Annual Number 1964*, New Delhi, December 27, 1963, pp. 1346-1349.

[58] *Department of State Bulletin*, April 4, 1960, p. 530.

in reinforcing their alliance. Also of interest is the activity of the I.B.R.D. as regards Indo-Pakistani relations.

In view of the U.S. policy aimed at drawing India into military and political blocs, attempts have been made to facilitate a settlement of acute outstanding problems between India and Pakistan through the mediation of international economic organisations, specifically the I.B.R.D.

An agreement on the use of the waters of the Indus system of rivers and the building of an irrigation project was reached after prolonged negotiations in 1960. The outlays are estimated at $1,000 million. The United States will grant 103 million dollars and a sum equal to 235 million dollars in Indian and Pakistani rupees, and the I.B.R.D. $103 million.

Australia, Canada, West Germany, New Zealand and Britain have been enlisted in financing the project. In other words, another aid club has been set up. Total foreign investment will run to about $750 million and the outlays of India and Pakistan to $250 million (India's share will be $180 million). The project is to be completed in 10 years, construction contracts will be given on a basis of competitive bidding, with the I.B.R.D. exercising general supervision.

The importance of settling the problem regarding the waters of the Indus system in clear. But the specific feature of this agreement is the excessive dependence of the project on foreign capital and the assumption by the I.B.R.D. of the role of controller and director of the project, which cannot be regarded as a positive aspect at all.

The United States is pursuing far-reaching political ends. It wants to enmesh in its aid the ruling element and closely allied circles of the national bourgeoisie with the object of blunting their anti-American and anti-colonial sentiments and the policy of neutrality.

The International Bank for Reconstruction and Development thus acts chiefly as a political and economic instrument of the United States and international finance capital in creating a political and economic climate in India favourable for them.

In the past ten years the United States has become India's main creditor. The export of U.S. official and state capital, together with loans of the I.B.R.D., the Export-Import Bank and other organisations and foundations, amounts to Rs. 20,000 million—nearly six times greater than all (almost exclusively private) investments of Britain.

The following figures give an idea of the scale of loans and subsidies received by India from different capitalist powers (million rupees, as of December 31, 1962).[59]

[59] *External Assistance 1962*, p. 83.

Country or financial organisation	Loans	Subsidies
Total	27,667	7,385
United States (without food loans)	7,519	1,406
On account of food deliveries under P.L. 665 and P.L. 480	8,007	3,875
Ford Foundation	—	172
Rockefeller Foundation	—	67
I.B.R.D. and I.D.A.	4,905	—
Special U.N. fund	—	48
Britain	2,493	9
France	778	—
West Germany	2,648	21
Italy	214	—
Japan	705	—
Switzerland	120	—
Netherlands	2	—
Canada	276	1,128
Australia	—	160
New Zealand	—	34
Norway	—	35

The United States and organisations under its control (excluding the I.B.R.D.) supplied loans for $15,526 million (56 per cent of the total) and subsidies of $5,520 million (74,7 per cent).

Indian progressive opinion rightly holds that the country's financial position is excessively dependent on the capitalist powers. More than 40 per cent of the long-term I.B.R.D., Exim and D.L.F. credits have been given to Indian big business. They do not promote the country's industrialisation on a state basis and, on the contrary, are directed against it. The other 60 per cent of the credits were received by the Indian Government. But nowhere have they been used for building state-owned factories that would produce means of production or instruments of labour. These credits have not facilitated India's economic independence.

However much the ideologists of American imperialism extol the aid rendered India, they cannot refute the indisputable fact that its purpose is to contribute to the victory of private capitalism headed by the Indian monopolies in league with foreign capital. Here is the essence of neo-colonialist policy.

A special financial organisation, the International Development Association (I.D.A.), was set up in September 1960 as a branch of the I.B.R.D. Its declared aim is to finance outlays connected with important development needs on terms which are more flexible and less burdensome for the balance of payments than ordinary loans.

By the beginning of 1963, the I.D.A. had given India 11 interest-free, long-term loans totalling $212.5 million (for a term of up to 50 years and an extension of 10 more years if need be). The loans are designated for the building of highways, irrigation installations, water wells, land reclamation in the Punjab, the

building of thermal and hydroelectric stations, the reconstruction of ports and extension of communications. Although the activities of the Association are aimed at developing the infrastructure, and not industry, it extends loans solely to the government and without charging any interest.

In recent years some political leaders and representatives of the U.S. monopolies have spoken up in favour of revising the old policy which ignores the role of the state in the Indian economy and the need to finance not only some state projects in transport and power but also in industrial construction. They say that a new period has arrived in relations with India when all preceding penetration of American capital should yield its fruits. The latest loans of the I.B.R.D., the I.D.A., the Export-Import Bank and the Agency for International Development have to a certain extent reflected these new trends.

"Philanthropy" of the Ford and Rockefeller Monopolies

The Ford Foundation began operations in India in 1951. Of the total sum of aid of Rs. 242 million (at the end of 1961), 71 per cent have been allotted to the Indian Government and 29 per cent to private firms and organisations.[60] Formally, the financial aid given by the Ford Foundation to the Indian Government is somewhat unusual in character; 24 per cent of the money is earmarked for the development of industry and enterprise, 15 per cent for education and 54 per cent for the development of agriculture. Closer scrutiny of this aid shows that, as a rule, it is a fairly flexible means of consolidating American influence among various sections of India's population.

The main sum of aid goes for the training of Indians for work among the peasants and village craftsmen. This enabled the Ford Foundation more than 10 years ago to integrate its funds and personnel into the system of community development projects and national extension service and of late to extend its activities in agriculture in specially selected areas of all Indian states.

The Foundation's money goes to buy mineral fertiliser, selected seed and transport facilities and to build rural grain elevators. The usefulness of these measures cannot be denied. But without them the pro-American activity of the Ford Foundation would not have had even a semblance of justification. The Indian countryside is flooded with literature prepared and published by the Foundation. Indian agricultural schools and colleges, training centres and vocational schools widely employ American teachers and use textbooks paid for by the Foundation.

[60] *Ibid.*, pp. 79-81.

The Ford Foundation also finances the National Council of Applied Economic Research which draws up concrete economic plans in different Indian states, makes surveys in various social and economic spheres and studies the country's technical and economic resources.

American scientists, experts and advisers and also a large number of Indians trained at the expense of the Ford Foundation are collecting information about the political and economic situation in India and in separate states, the ideology, sentiments and needs of different classes and sections and the development of different branches of the economy. The surveys made by some Indian organisations which enjoy the patronage of the Ford Foundation (including the National Council of Applied Economic Research) were based primarily on the applications by different states for the building of industrial and agricultural projects. These applications often did not take into account the general interests of India and proceeded from narrow parochial interests. As a rule these studies were not guided by the principle of extending state enterprise for accelerating economic independence, did not promote cooperation in agriculture and called for the development of private initiative to the utmost.

The Ford Foundation also is influential among bourgeois intellectuals. It enables Indians to study at U. S. universities and colleges. Many Indians working at private enterprises (executives and engineers) and also post-graduates of the Calcutta Institute of Social Welfare and Business Management are sent to the United States to study American methods of management and technology. American experts, paid by the Ford Foundation, have been drawn into the public utilities and local planning agencies (Calcutta), managerial bodies of small-scale village industry and producers' cooperatives. They organise exhibitions, permanent demonstration halls, libraries, reading rooms and information centres. Secondary schools in Delhi are supplied with American TV sets and study aids.

The Rockefeller Foundation began to function in India as early as 1920. In 1949, two years after India had gained independence, it transferred its Far Eastern centre to Delhi. The activity of this Foundation, judging by the amount of free subsidies to India (Rs. 67 million), is more limited than that of the Ford Foundation.

Prior to 1959, the Rockefeller Foundation enjoyed a specific status—it was, in fact, independent of the Indian Government. It directly maintained broad contacts with its Indian clientèle—primarily higher and secondary educational establishments, research institutes and scientific centres which possess broad rights of university autonomy. These traditional rights of the universities and institutes under its patronage were long utilised by the Rockefeller Foundation and it often interfered in their regular activities.

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The Foundation financed Indian universities, institutes, colleges and persons it wanted without taking the trouble of informing the corresponding government authorities.

In March 1959, the Indian authorities instituted a procedure which gives representatives of the Rockefeller Foundation in India the right to negotiate with universities and colleges, but a final decision on granting them financial aid cannot be taken without the consent of the corresponding government agency.

The Rockefeller Foundation is active in India among professors and students in the humanities, in the social sciences, art, medicine, and partly agronomy. Two leading research institutes of India—the Gokhale Institute of Politics and Economics in Poona and the Indian Council of World Affairs in Delhi which has branches in a number of cities—enjoy the patronage of the Rockefeller Foundation.

Indian progressive opinion rightly sees in the so-called philanthropic activity of the Ford and Rockefeller foundations a definite dangerous tendency to educate a considerable number of Indians in the anti-socialist spirit, to spread pro-American, anti-national views and the ideology of anti-communism and the American way of life in their country.

The activities of both these foundations continue the policy of the U.S. State Department under the guise of philanthropy. At one time Dean Rusk had left government service and fully devoted himself to guiding the Rockefeller Foundation as its president; then he returned to government service, this time as Secretary of State. These shifts are quite indicative.

U.S. Monopoly Capital in the Private Sector of India's Economy

American monopoly capital is not the dominating force in the private sector of the Indian economy. This creates a peculiar situation; the monopolies of the strongest imperialist power in the world today hold a weaker place than Britain in the private capitalist economy of the biggest developing country which is of prime strategic, political and economic importance in Asia and throughout the world.

The relatively weak positions of the American monopolies in India's economy in conditions of the struggle between the two world socio-economic systems are regarded by American politicians as an adverse factor.

Alongside large exports of U.S. state capital, bigger exports of private capital are needed, in the opinion of American politicians, to eliminate its weakness in the private sector of India's economy.

When India was a British colony, investments of the American monopolies were insignificant. In 1943, they amounted to Rs. 200 million (about $ 41 million).[61]

Subsequent years, marked by greater struggle for national independence, were unfavourable for the investment of private capital. Possibly owing to the unfavourable political and economic conditions which brought about an outflow of capital (and evidently due to more precise statistical data), long-term investments of private American capital, both direct and portfolio, declined to Rs. 179.6 million as of June 30, 1948.[62] This figure could be taken as the starting point for further analysis. By the same date, private British investments had amounted to Rs. 2,099.5 million and were almost 12 times higher than American. The United States accounted for only 6.2 per cent of all private foreign investments (Rs. 2,875.6 million).

But in the same year 1948, India's financial obligations to the International Monetary Fund and the I.B.R.D. in which the same American monopolies dominate, totalled Rs. 1,335.8 million, or 8 times more than private American investments.

The process of U.S. financial penetration of India's economy via international financial organisations and exports of state capital was already under way.

In contrast to Canada, Latin America or the oil regions of the Arab East, India lacked the conditions for an active flow of private American capital. The political situation in this country, gripped by a national-liberation revolution, was unfavourable. Moreover, at that time British capital which dominated the country for nearly 200 years still enjoyed a monopoly position. British capitalists had centuries-old traditions of exploiting India, extensive long-standing business ties not only among themselves, but also with the Indian capitalists; they knew the country well and, lastly, had a ramified organisational and technical staff which consisted of trained local personnel devoted to British financial interests. Account should also be taken of the fact that India, receiving the status of a dominion and then proclaiming herself a republic, remained within the Commonwealth.

India, as before, belongs to the sterling area with its effective system of reciprocal foreign trade preferences advantageous for British and Indian capitalists. All this hampered India's penetration by private American capital.

The uneven development of capitalism in Britain and the United States made itself felt in that after the Second World War British finance capital in India lost ground. It actively resisted the inroads of the American monopolies, but in the long run had to give

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[61] L. Natarajan, *American Shadow Over India*, p. 71.

[62] *Survey of India's Foreign Liabilities and Assets as of December 31, 1955*, Bombay, 1957, p. IX.

way and has lately lost the position of chief creditor. Moreover, national Indian capital began to develop more rapidly after the country gained independence. India's advance is influenced by the independent economic policy of the government which is basically anti-imperialist (restriction of the activity of foreign capital, extension of ties with the socialist community, development of the state sector, industrialisation, programming of investments, etc.). In these circumstances, the U.S monopolies could not expect to oust the British monopolies swiftly and thereby create the prerequisites for gaining control over the development of national capital. Washington applied its imperialist aid policy to enhance its role in the economic development of the new India, to steer this development along the capitalist channel, eliminate the weakness of the American monopolies as compared with British capital, to tie the Indian economy and finances closer to the American market and the Indian big bourgeoisie to the U.S. monopolies.

Table 39 presents data on foreign investments in the private sector of India between 1948 and 1960. In 13 years investments of the U.S. monopolies in India's private sector increased more than six times and in 1960 amounted to 16.3 per cent of the total. This is a telling increase. But if we take the entire accretion of foreign investments in the private sector as 100, the U.S. share amounted only to 23.5 per cent (Rs. 947.4 million as against 4,029.4 million).

During this period British investments in the private sector doubled, and continued to account for two-thirds of all private foreign investments. They contributed 59 per cent of the entire increase. British monopolies, as before, hold first place in total private investments. But while in the first six years of India's independence (1948-1953) British investments rose by Rs. 1.373 million, in the next seven years (1954-1960) they increased only by Rs. 991 million. During the first period Britain contributed almost three-quarters of the entire accretion in private investment and in the second period, only 38 per cent. The growth rate of British investment slowed down and in effect the rate did not rise at all between 1955 and 1960. As a result, the British share in total foreign investments in India's private sector dropped considerably, from 81.5 per cent in 1955 to 64.6 per cent in 1960.

During this time U.S investments in the private sector continued to rise. Between 1948 and 1953 they increased by Rs. 130 million (14 per cent of the total growth in 13 years), in the next 7 years (1954-1960) by Rs. 817 million, or 86 per cent of the entire rise during this period.

Investment by British monopolies in India is slowing down and their share is now more or less stable. At the same time, the American monopolies are becoming more active and their share is growing, it mounted at a much faster rate in the second half of the 12-year period than in the first. So far these tendencies have not brought

Table 39

Foreign Private Investments in India in 1948-1960
(million rupees)*

Investing country or International financial organisation	1948	1953	1955	1956	1957	1958	1959	1960	1960, as compared to 1948	
									sum	percentage
Great Britain	2,099.5	3,472.8	3,919.9	3,925.2	3,987.9	3,988.0	4,002.0	4,464	+2,364.5	213
United States	179.6	303.1	411.6	468.4	572.0	600.0	842.0	1,127	+947.4	625
West Germany	3.5	0.8	25.4	27.6	35.3	38.0	54.0	68	+64.5	1945
Pakistan	121.5	51.9	51.7	41.9	42.0	42.0	42.0	—	—79.5	35
Other investors	471.5	460.8	338.0	465.1	779.4	1,058.0	1,190.0	—	+718.5	253
Including the I.B.R.D.	—	—	27.0	148.0	469.0	722.0	830.0	—	+830.0	3050**
T o t a l***	2,875.6	4,235.4	4,806.6	4,928.2	5,416.6	5,726.0	6,105.0	6,905	+4,029.4	241
Share of the United States, percentage	6.2	7.2	8.7	9.5	10.6	10.5	13.3	16.3	—	—
Share of Great Britain, percentage	73	81	81.5	80	73.5	70	66.5	64.6	—	—

* Sources: *Survey of India's Foreign Liabilities and Assets as of 31 December 1955; Reserve Bank of India Bulletin*, Bombay, May 1961, p. 685; October 1962, p. 1542.
** As compared with 1955.
*** Including other, smaller, investors.

about (and they can hardly bring it about in the near future) a radical change in the share of Britain and the United States in foreign investments in the private sector of the Indian economy, but a change in favour of the U.S. monopolies is definitely in the making.

In 1961, the Reserve Bank of India for the first time published figures on I.B.R.D. investments in the private sector. At the end of 1959, they amounted to Rs. 830 million, or 13.6 per cent of all foreign investments in the private sector. This figure should be borne in mind in considering the influence of American investment in India's private sector because the International Bank is actually controlled by the U.S. monopolies. In other words, the actual share of foreign investments in India's private sector controlled by the U.S. monopolies, was not 16.3 per cent but nearly double that figure. This is quite an impressive amount, especially since U.S. private capital operates primarily in the new manufacturing industries and is growing almost four times as fast as the British.

Data on foreign investments at the end of 1960 show that in 1960 alone foreign investment in India's private sector grew by Rs. 800 million, of which approximately 760 million were received from foreign private sources.[63] Table 40 clearly reveals the dynamics and specific features of foreign investment in India's private sector between 1954 and 1960.

These pertinent data warrant the following conclusions:

1) Receipts of capital from foreign government and official sources in India's private sector amounted to 52 per cent of all receipts between 1954 and 1960, and receipts from official non-commercial sources were nearly 10 per cent higher than from private sources (Rs. 1,229 million and Rs. 1,140 million). Foreign, primarily American, government capital actively flows into the private economy. It acts as a kind of generator of private capitalism which supports and tries to extend the basis of capitalism in the country and to attract private foreign capital.

2) American official capital which flows into India's private economy is capital of the monopolies in origin, although it is accumulated in the U.S. Export-Import Bank, I.B.R.D., the Development Loan Fund; in other words, it has assumed official garb. In this neutral form it is more convenient for the U.S. monopolies to penetrate both the state sector and, through Indian government institutions, private enterprise. The important thing is not so much the guise assumed by foreign monopoly capital. This form of investment is generally more reliable and safe because it is guaranteed by the American and Indian governments. This does not at all imply ignoring the differences between U. S. private and state capital. We merely want to stress that, while being formally different, they

[63] *Reserve Bank of India Bulletin*, October 1962, p. 1542.

Table 40

Foreign Investment in the Private Sector of India by Sources
(million rupees)*

	Average for 1954-1955	1956	1957	1958	1959	1960	Total
1. Receipts from foreign official sources (government and international organisations) . .	14	121	321	253	269	251	1,229
2. Gross receipts from private sources . . .	199	312	269	268	258	624	1,930
Of which:							
profit reinvestment	120	195	95	98	153	145	806
cash receipts . .	15	31	59	48	33	62	248
receipts in goods	64	86	115	122	72	418	877
3. Repatriation and export of private capital from India . . .	50	63	91	244	174	168	790
4. Net receipts of private foreign capital (item 2 minus item 3) .	149	249	178	24	84	456	1,140
5. Total net receipts of private and state capital (item 1 + item 4)	163	370	500	277	353	707	2,369

* Source: *Reserve Bank of India Bulletin*, May 1961, p. 675; October 1962, p. 1532. Data for 1957-1959 have been revised by the Reserve Bank. The table does not take into account foreign investment in banking; the results are rounded.

are jointly pursuing the political and economic aims of the United States in India.

3) Net receipts of private foreign capital remain low, which does not suit the U.S. ruling circles and makes them apprehensive of the stability of their position. In view of this, the U.S. Government machine, working hand in glove with the monopolies, is pumping more capital from official sources into India's private capitalist sector.

Thus, the American Government, on the one hand, is spurring on its own private enterprise, compelling it more actively into India and, on the other, is accelerating the further transformation of Indian national capital into monopoly capital.

4) Reinvestment of profits accumulated in India herself make up 42 per cent of the gross investment of private capital; yet receipts of capital from outside in the form of loans, convertible foreign currency or in the form of cash amounted only to 13 per cent, and in the form of imported goods to 45 per cent. If the sum of reinvested profits is compared not with the gross but with the net receipts of

private foreign capital (this is fully justified both economically and methodologically) 71 per cent of the latter consist of profits obtained in India and reinvested in her private sector.

5) Up to 1958, there was a growing tendency to repatriate part of foreign capital from India. Between 1954 and 1959, it reached 43 per cent of the sum of receipts. Private foreign capital felt insecure. But the concessions made in India in 1957-1959 sharply reduced the capital outflow and repatriation and brought about a noticeably greater influx.

In recent years, as seen from these data, the United States gradually became India's main creditor. The United States is relegating Britain to second place in the influx of new, and particularly state and official capital, as seen from Table 41.

Table 41

Flow of Capital into India's Private Sector
(million rupees)*

Year	From Britain		From the United States	
	Private capital	State capital	Private capital	State capital
1956	157.0	—	73.0	—
1957	63.0	—	105.0	—
1958	—20.0	—	26.0	—
1959	—1.0	14	76.0	144
1960	427.0	18	50.0	235

* Source: *Reserve Bank of India Bulletin*, May 1961; October 1962.

The table records the net influx of private capital and, in the column "state capital", gives only the loans of the Export-Import Bank and the Development Loan Fund. Big loans from the I. B. R. D. and U.S. aid are not reflected in this table. If they are also taken into account, the U.S. advantage over Britain will stand out even more.

The gradual changes in the correlation of American and British state and private capital are also evident from the big increase in India's indebtedness to the United States (Table 42).

With the United States becoming India's main creditor, essential changes have occurred in the transfer abroad of profits on foreign investments. This is shown by India's annual payments of profits on foreign investments to countries of the sterling area and the dollar area (million rupees; see p. 233):[64]

[64] *Ibid.*, pp. 826, 836.

	Sterling area	Dollar area
1951/52	214	65
1955/56	222	68
1956/57	160	66
1957/58	182	89
1958/59	183	135
1959/60	184	157

In 1961 the export of profits on foreign investments amounted to Rs. 533 million,[65] i. e., an increase of nearly Rs. 200 million in one year. The United States is extracting more profits from India every year, and will probably outstrip Britain in the near future. This inevitably intensifies the contradiction between British and U.S. capital and also between foreign and national capital in India.

Table 42

India's Foreign Indebtedness
(million rupees)*

	1955	1956	1957	1958	1959	1960	1961
Total	7,140	7,790	10,540	13,180	16,150	19,690	22,920
Of which:							
private sector	5,130	5,540	5,910	6,250	6,710	7,640	8,220
state sector	2,010	2,250	4,630	6,930	9,440	12,050	14,700
of which:							
to the United States and international organisations	1,185	1,422	3,765	4,953	6,569	8,325	10,206
to Britain	336	338	260	496	973	1,368	1,631

* Compiled on the basis of data of *Reserve Bank of India Bulletin*, May 1961, pp. 680-681; October 1962, pp. 1537-1538.

To gain a clearer idea of the influence exerted by the United States and Britain on India's economy and the nature of their financial relations with her it is necessary to sum up and compare the financial positions of the two countries in India.

Of the total sum of U.S. investments, private capital accounts for 4.6 per cent, while more than 95 per cent are investments of the state itself, official institutions set up by it and foundations, which use private American monopoly capital. The picture is reversed as regards Britain: private investments constitute 71 per cent and state investments only 29 per cent.

The neo-colonialist policy of the U.S. monopolies in the less developed countries where their direct positions are relatively weak,

[65] *International Financial Statistics*, Washington, October 1962, p. 151.

India for example, is to rely not so much on their own investments, but on the resources of American state-monopoly capitalism as a whole. The thing is not only the contradictions and competitive struggle in India between the U. S. and the British monopolies, however significant this aspect is. Of special importance is the U. S. aid policy—a policy which Britain is unable to conduct on such a large scale, for so long and so intensively. The contradictions between the United States, on the one hand, and Britain and other Western countries, on the other, in the Indian goods and money markets, are not mitigated by the United States becoming India's main creditor. These contradictions are increased because the United States is constantly faced with the competition of Britain and other countries which hold strong positions in several branches of India's economy and foreign trade. The U.S. Department of Commerce points out that competitors from the United Kingdom, West Germany, Japan and the Soviet Union make it necessary for Americans to be on their toes; it advises private investors to turn to mixed investments with Indian firms in the manufacturing industry as a way to gain a foothold or maintain their positions in India.[66]

The weakening of British imperialism, which has lost almost its entire colonial empire in Asia, is compelling it to manoeuvre. The traditional composition of investments is proving to be a handicap and British capital is trying to alter it in India and the other developing countries. The monopolies are increasing investment primarily in the more profitable branches of the private economy, both the old and, particularly, the new (oil, chemicals, metallurgy, engineering and metal-working, electrical equipment, automotive, and other industries).

British capital is gradually yielding ground in the old branches to national Indian capital which is outstripping it in growth rates. This is happening in the jute, cotton goods, coal and mineral mining industries and in the plantations. These branches no longer bring British capital the old superprofits. In the home market stronger national capital prevails, and in the foreign market the produce of the old industries (jute and cotton goods, coal, ore, oil-bearing crops and tea) is facing keen competition from the developing African and Latin American countries or countries which produce synthetic substitutes (the United States, West Germany, France, Japan and others).

Nationalisation by young independent Asian states of the property of the former British colonial administration and the big monopolies (chiefly on terms of redemption) led to the loss by Britain's state-monopoly capitalism of a huge network of railways, airlines, ports, means of communication, hydroelectric and thermal stations,

[66] *World Trade Information Service. Economic Development in India, 1960*, Washington, 1961, No. 14, pp. 1, 2.

irrigation installations, large shipping canals, banks and numerous insurance companies.

In the new conditions British imperialism is unable single-handed to make the huge outlays needed for the maintenance of reactionary regimes and the social groups which can keep a country within the capitalist system. British imperialism fully subscribes to the colonialist, anti-communist aims of the American aid policy, actively participates in achieving them. While yielding first place to American imperialism, British imperialism is forced to adapt itself to the new conditions; it does not invest capital in loans and subsidies to young states but reinvests profits in advantageous branches of the economy and utilises them for the direct extraction of superprofits.

The American monopolists, too, naturally want to obtain superprofits, but they are forced to consider the relative weakness of their private investments in India and to enlist, to a much greater extent than the British monopolies, the power and resources of their state.

Each imperialist government promotes the export of capital and goods only from its own country. The granting of state aid to the less developed countries of Asia, Africa and Latin America is indicative of the desire of the given state to secure the best conditions for its monopolies and also the general striving of world imperialism to keep the less developed countries within the framework of capitalism.

Today the export of private capital from the imperialist states to the developing countries clashes with the national-liberation movement and the striving of these countries for complete independence. Even when attracting private foreign capital, they seek to escape from the fettering policy of neo-colonialism and obtain disinterested assistance from the Soviet Union, establishing with it trade and technical cooperation based on equality of both sides.

In these conditions the Government of the United States, intimately associated with the imperialist monopolies, undertakes special functions, namely, stepping up the export of state capital in the guise of aid. In this way it tries to resolve or mitigate the fundamental contradictions between the exploiting activity of the monopolies in the newly-sovereign countries and the latter's natural striving for economic freedom. India offers the most striking example of this.

Concessions to Foreign Capital

The United States is pursuing a selfish policy with regard to India's economic development by exerting pressure aimed at easing or lifting the restrictions on the activity of foreign capital. The U. S. Department of Commerce in a special memorandum in 1958, analysing the reasons why American monopolies hesitate to invest capital in India, put forward several basic demands. They were supported by some Indian monopolists. For example, G. D. Birla fa-

vours the creation of "Canadian" conditions for stimulating the flow of American capital to India (that is, removal of restrictions on profits). He headed an Indian industrial delegation to Western Europe and the United States in 1957, and then formulated and substantiated these demands as follows.[67]

1) Taxes in India remain among the highest in the world, which keeps back the influx of new capital. That is why taxation should be liberalised.

2) Since the law on the obligatory deposit of 50 per cent of the reserves with the Reserve Bank of India adversely affects the activity of American companies and hampers the influx of new capital it should be repealed.

3) The law regulating the activities of foreign companies should be revised because the potential investor does not know how far government control of his activity might go.

4) There should be a more liberal attitude to the lease of land for the mining of minerals and also to the rate of levies and duties charged for granting licences to build enterprises.

5) Foreign specialists should be exempted from the income tax.

6) It is necessary to repeal the Fourth Amendment to India's Constitution laying down that compensation for nationalised property in all cases is determined only legislatively and cannot be challenged judicially. The Constitution must protect property rights as is the case in the United States and elsewhere.

7) A treaty of friendship, commerce and navigation should be concluded with the United States.

8) Investors should be given guarantees that on matters like imports of raw materials, use of transport and market services private capital would be put on a par with the state sector.

While preserving a certain regulating role with regard to private foreign capital, the Indian Government made a number of essential concessions between 1957 and 1961.

Indian private companies are advised to enlist foreign capital, at least in the amounts necessary for the import of equipment (that is, widely to mix capital). In cases when the foreign investment will be made in the form of loans, and not in the form of purchase of shares, the lender will be paid a corresponding interest. The maximum interest rate on such loans to buy equipment for state-approved projects is 6 per cent. If any state submits to India a project envisaging the protection of its investors against possible risks connected with investing capital, the Indian Government will be prepared to consider it. Technical assistance by foreign specialists is fully approved. In particular, agreements between Indian companies and foreign firms or individual specialists are favoured.

[67] *Report of the Indian Industrial Delegation to the Federation of Indian Chambers of Commerce and Industry*, New Delhi, 1958, app. 1, pp. 4-5.

A bigger part of the shares of mixed enterprises and also their management, as a rule, must belong to Indians, although many exceptions are permitted.

A foreign investor may hold control shares in private enterprises on the following conditions: a) if the contemplated enterprise is of great importance for the fulfilment of plan assignments; b) if technology in the given field has not been mastered and foreign capital is making a substantial contribution in this respect; c) if the necessary investment in foreign exchange is considerable and, consequently, the admission of foreign capital is useful until the state finds the needed foreign-exchange resources.

An agreement repealing so-called double taxation of companies has been concluded between the United States and India. So also has an agreement which guarantees the property of American capitalists against nationalisation. The terms of redemption and legal formalities in case of nationalisation of separate enterprises have been fixed.[68]

Foreign capital is on a par with Indian capital as regards customs protection and favourable allotment of import quotas. The transfer of profits and dividends abroad is not limited. The permission of the Reserve Bank of India is required for the repatriation of capital; as a rule this is given simultaneously with permission to reinvest profits and re-evaluate capital.[69]

Foreigners who invest in new industries are given a privilege in the form of a temporary repeal of the income tax on profits (up to 5 years), if these do not exceed 6 per cent on the invested capital.

The crediting of large sums of profit to the depreciation fund is allowed, which precludes the taxing of these profits and provides the opportunity for subsequent self-financing.

As much as 25 per cent of the actual cost of equipment and premises may be written off in the first year of a company's activities, which makes it possible to recoup the invested capital in a short period (in five to seven years). This enables the company, on the one hand, to reinvest its profits and, on the other, to obtain mounting profits on the basic capital which has already been fully covered by depreciation allotments.

[68] *Indo-U.S. Agreement on Currency Convertibility and Expropriation*, New Delhi, September 19, 1957, December 7, 1959; *Investing in India*, New Delhi, 1961, pp. 36-39.

[69] In view of the growing foreign-exchange crisis in India, the Reserve Bank limited the monthly transfer abroad of income by foreigners to Rs. 1,500 in July 1962. Bigger transfers are allowed by government agencies if the sender leaves in India a part of his income necessary for covering his local expenses. The transfer abroad of money received from the sale of investments is limited to Rs. 75,000 when the investor leaves India, any balance being transferred in annual installments of Rs. 20,000 with the approval of the government (*Times of India*, July 1, 1962).

Foreign investors are given income tax exemption on the sum of interest paid by them for credits obtained to buy equipment and to erect buildings and enterprises.

Foreigners who obtain dividends on capital invested in Indian firms are released from additional taxation; this induces foreign investors to mix capital.

All these concessions have stimulated greater activity by private foreign, especially American, capital. The number of licences granted to foreign private investors to form, jointly with Indian capitalists, new enterprises, increased five times between 1957 and 1961. Eighty-one licences were issued in 1957, 103 in 1958, 146 in 1959, 390 in 1960, 402 in 1961. In 14 cases foreign capital was permitted to gain control. In 1961/62 the number of licences increased to 428.

How does the mixing of capital take place? The United States is represented by monopolies, because the small businessman does not venture into the foreign capital market. Who of the Indian capitalists participates in this process? A break-down by industries provides the answer: 65.6 per cent of the agreements relate to firms engaged in engineering and metal-working, 13.4 per cent in the chemical industry, 6.4 per cent in metallurgy and 1.3 per cent in the textile industry. These four industries, accounting for 87 per cent of the agreements, are dominated largely by big Indian capital. There are no small and practically no middle businessmen with whom the mixing of capital would be of great interest for the American monopolies. Since 75 per cent of the agreements on the mixing of capital have been concluded by Indian joint-stock companies it is clear that only Indian big business is taking part in this process. A desire to mix capital is shown not only by Indian companies which are controlled by foreigners (12 such companies have concluded 41 agreements); similar desire is displayed by Indian national companies which are not directly controlled by any foreign capital. Among them are the biggest Indian concerns—Tata, Birla, Mahindra, Kirloskar, Hirachand—which have concluded 35 agreements.[70]

We certainly agree with the conclusions drawn by P. K. Shrivastava, a well-known Indian expert on collaboration of Indian and foreign capital. He wrote that the government in fact was ensuring more favourable conditions for the participation of foreign capital than those which follow from its general policy statements.[71] Indian capital is intensively mixing with the capital of the United States and the other leading capitalist powers.

In 1960, 128 agreements were signed with Britain on the enlistment of foreign capital for the establishment of mixed enterprises, 73 with West Germany, 62 with the United States, 43 with Japan

[70] "The Battle of Industrial Production", *Eastern Economist Annual Number 1964*, New Delhi, December 27, 1963, pp. 1492-1496.

[71] *Ibid.*, p. 1488.

and 84 with other countries. Between 1961 and 1963, 30 per cent of all such agreements were with British firms, 22 with American and 14 with West German.[72] Since 1957, the right to hold control shares was given to private foreign capital in 67 cases whereas formerly there had only been several instances.[73]

Agreements between India and foreign firms on joint ventures, even where Indian capital prevails, increase the country's financial dependence. S. V. Kapade, a prominent Indian economist, writes: "The acute foreign exchange position made India's position rather delicate and we had to pay much more than we should have for the technical know-how, the cost of capital equipment and also by way of royalties, profits or exclusive sales rights in India."[74]

The cost of equipment supplied by foreign firms when setting up a mixed company is double that of its real value, and foreign technical know-how is inordinately expensive. As a result, "a good deal of money goes out directly compared to the quantum of capital that comes in".[75] Kapade asserts that the agreements between Indian and foreign firms usually give the latter almost complete control over the joint venture even when Indian participants have a major share. He writes that in the joint ventures all technical progress "is at the mercy of the foreign participants". Indian industrialists usually go in for foreign collaboration as it solves their problems not only of foreign exchange but also gives them "the advantage of foreign participants' trade marks or established labels".[76] Kapade notes that Indian businessmen make hundreds of offers for cooperation with foreign firms.

The Indian Government has recently encouraged the emergence of some Indian firms in the world money market, which stimulates their cooperation with foreign monopolies in Asia and particularly in Africa. This is aimed at ensuring India and her rising industry markets for the sale of goods and at investing, together with foreign monopolies, Indian capital in countries in which Indian big business has an interest. Although the export of capital from India is formally prohibited, the equal participation of Indian firms with foreign firms in the capital of newly-formed firms in other Asian and African countries is allowed.

* * *

The influence of foreign, including American, capital is not proportionate to the scale of its influx. We have shown that foreign

[72] *Commerce*, November 23, 1963.

[73] *Economic Times*, May 15, 1961; *World Trade Information Service*, No. 613, p. 8; *Capital*, May 17, 1962.

[74] *AICC Economic Review*, October 30, 1962.—The Editor made a reservation that "the article reflects the personal view of the author".

[75] *Ibid.*

[76] *Ibid.*

capital tries to unite with big Indian capital. This produces a new economic factor and to a certain extent also a new political factor. This was rightly noted by *Foreign Affairs* when it wrote that "the Indian economy has discovered the biggest single spring of expansion in the mixed economy—a large and growing class of entrepreneurs.... The best news in India's first decade of planned growth is, therefore, that enterprise exists irresistibly and unquenchably, that it is growing at a speed to create a whole new climate of opinion favourable to development and to provide the interlocking expansion and external economies by which enterprise in one field assists it everywhere else."[77]

This paean to big Indian enterprise is far from fortuitous. The tendency toward a political and economic alliance of the U. S. monopolies and Indian big business is manifested above all in the U. S. neo-colonialists' attempts to find and consolidate a new class force to serve as its main support in India.

Economically, this force strives to establish control over India's private sector and find its way into the state sector so as to put an end to the monopoly position of the state in several industries. Politically, it is spearheaded against the democratic achievements of the country's working people and its foreign policy of neutrality. This force is Indian big business.

John Kennedy, when he was a Senator, spoke of the need for active assistance to India and her private enterprise so as to crush or at least curtail the state sector as an independent force: "...Her (India's.—*R. U.*) shortage of foreign exchange continues to increase.... A more secure margin in foreign reserves would give to the private sector its old buoyancy, and break down the outmoded wall between private and public planning and development."[78]

In 1958, when India was gripped by an acute foreign-exchange crisis which endangered and partially disrupted the fulfilment of economic plans, Kennedy, together with Senator Cooper, former U.S. Ambassador to India, bearing in mind above all the interest of the United States in reinforcing Indian big capital, urged the Senate to give more aid to India: "Each further cut in Indian goals imperils not only national morale but also further constricts private enterprise.... If private enterprise is to remain a decisive force, and if there is to be a vigorous private investment programme, the fulfilment of the Five-Year Plans' objectives is essential."[79] The Second Five-Year Plan, designed to accelerate India's industrialisation, interested American politicians above all from the angle of reinforcing the steadily rising role and influence of Indian big business in the country as a factor which should remain a "decisive force" and also be capable of challenging the key positions of the state sector in industry.

The U. S. ruling circles gave a rather optimistic official appraisal of the position of foreign capital in India after she had received large credits and made some concessions. As a matter of fact, in one official publication India is cited as an example of a country which has done much in recent years to encourage both private enterprise within the country and foreign private investment. Though the Indian Government says at times that its aim is to build a society after the socialist pattern, today the bulk of Indian trade and industry is in private hands.[80]

The positive reaction of U. S. business circles to India's concessions to private foreign capital is indicative. *U.S. News and World Report* wrote: "A few years ago, India's politicians thought that foreign investment was the spearhead of 'imperialism'. Now you find U. S. capital deeply interested in India, and Indians welcoming it with open arms as long as it sticks to durable goods. Private U. S. investment has jumped from 110 millions to close to 200 millions in two years. India's tax laws have been modified to give foreign investors a break. This country... has negotiated arrangements with the U. S. that guarantee investors against loss due to nationalisation."[81]

In 1960, the United States and India signed an agreement on the establishment of special centres to promote foreign investment in India. Originally such investment centres were set up in New York and Delhi and then in Western Europe. They assist Indian and American investors in establishing business contacts and obtaining the necessary information. G. L. Mehta, former Indian Ambassador to the United States, heads the Delhi centre. These centres are intended to allay the suspicions of American capitalists about "Indian socialism".

Since April 1, 1961, a number of essential changes in taxing corporate profits have been introduced. The additional tax on profits of parent companies—both Indian and foreign, registered in India—has been fixed at 20 per cent as of April 1, 1961. This is quite a sizeable concession and puts newly-formed foreign companies in a privileged position over the old companies. It is deliberately aimed at stimulating a fresh influx of foreign capital.

Enterprises set up after April 1, 1961, and old enterprises which make new investments, are allowed to write off equipment faster, to an amount of 120 per cent of the cost. Big foreign and Indian capital is thus trying to write off equipment as quickly as possible and on the biggest scale so as to recoup the entire invested capital; it is all the more interested in doing so because this promotes self-

[77] *Foreign Affairs*, January 1961.
[78] *Congressional Record*, February 19, 1959.
[79] *Eastern World*, September 1958.
[80] *Foreign Aid. Facts and Fallacies*, Washington, 1961, p. 41.
[81] *U. S. News and World Report*, December 19, 1959.

financing and, consequently, greater credit independence. This is also an important concession. The taxation rate on mineral extraction profits has been reduced to 50 per cent of the gross profit (20 per cent of the usual income tax and 30 per cent additional tax).

The superprofit tax on founding shares has been cut to 12.5 per cent. Foreign specialists working on contracts approved by the Indian Government pay no income tax for three years (formerly it was two years) and are given subsequent privileges.

Taxation of private persons is higher in India than in the United States[82] and that is why American investors are demanding its revision.

A conference organised by the U. S. Business International Corporation was held in Delhi in October 1961. It was attended by representatives of 50 American companies and more than 60 representatives of India's big business. There were also official representatives of the Indian Government and some ministries.

The main point on the agenda was the extension of private American investment in India. The Indians pointed to the exceedingly high cost of American equipment, while the U.S. investors demanded a repeal of the privileges and advantages granted to state companies and also the abolition of any advantages for Indian capital over foreign.

Spokesmen for the Indian Government stated that in the event of joint ownership of enterprises, the control shares should, as a rule, be in the hands of Indian businessmen and, if such an enterprise is in the state sector, in government hands. In exceptional cases the shares could be divided equally. The Indian Government should have the right to buy all shares within five or ten years and the foreign investor should provide the entire sum of foreign exchange necessary. National personnel should be trained so that local specialists operate the enterprises.

These spokesmen stressed that private capital was being enlisted in enterprises for the manufacture of machine tools, different types of industrial plant (ore concentration equipment, reservoirs. refrigerating equipment, paper-making machines, bearings, etc.), chemicals, automobiles, Diesel engines and precision instruments.

[82] Taxation of private persons, percentage of income (according to data of the *Eastern Economist Annual Supplement*, January 1961):

	Annual income				
	£ 1,000	£ 2,000	£ 15,000	£ 20,000	£ 25,000
India, 1960/61.	6.4%	16.5%	64.2%	67.4%	69.3%
U. S. A., 1959/60	2.9%	11.4%	34.1%	40.1%	44.7%
Britain, 1959/60.	4.6%	16.9%	61.5%	63.2%	72.3%

The American monopolies, as the conference showed, were dissatisfied that despite the numerous concessions made to private foreign capital in recent years the taxation structure established for national Indian capital did not fully apply to it. Private Indian companies have to turn over to the state 45 per cent of their profits, 20 per cent as ordinary income tax and 25 per cent as additional tax. Foreign firms turned over 63 per cent (20 per cent of ordinary income tax and 43 per cent additional).[83] Foreign companies are seeking a reduction of the income tax paid by them from 63 to 45 per cent. A demand to reduce the tax on the incomes of private persons is also voiced.

Most likely in future, too, India will be pressed by the U.S. Government and private American investors for more favourable conditions of operation in the Indian market. This question long ago transcended the bounds of a purely economic matter and became an issue in the political relations of both countries.

Many Indian economists are critical of the concessions to private foreign capital and have submitted progressive proposals. These economists include D. Gadgil, P. Mahalanobis, P. A. Wadia, K. T. Merchant, T. R. Sharma, K. D. Malaviya, L. Natarajan, S. Guha, V. T. Krishnamachari, S. Kapade. Their views can be summarised as follows:

investment of foreign capital through inter-government loans is preferable to investment of private capital;

private foreign investment should take place only under state control, with strict observance of Indian laws, without any capitulatory or privileged terms; privileges and priority rights should be given to national, chiefly middle and small, enterprise;

private foreign capital must not be allowed into branches of the economy reserved for Indian private and state capital;

private foreign capital must not hinder the development of the country's productive forces and the strengthening of its economic independence; its investment must be accompanied by the employment of local labour, managerial and technical personnel;

private foreign investment must under no circumstances be accompanied by excessive concentration of production and the formation of monopolies, or by the integration of firms and individual shareholders into financial, economic or political organisations whose activity directly or indirectly runs counter to the interests of the national economy;

the integration of private foreign and national capital through their mixing is undesirable and dangerous for the country.

These ideas are reasonable and are of a progressive, although somewhat limited, nature. Experience has shown that in its practical activity the government tends towards concession to private for-

[83] *Eastern Economist Annual Supplement*, January 1961.

eign capital and deviates both from the above propositions and the principles proclaimed in 1956 in the official industrial policy declaration. These deviations are manifested above all in the wide attraction of foreign capital into the so-called new industries.

The sphere of new industries, in which the influx of foreign capital is officially welcomed, has been widened considerably. The number of industries which in 1958 were declared open for private national and foreign capital (aluminium, fertiliser, chemicals and others) was extended in 1961 so that they encompass 23 of the major branches producing the means of production, namely: iron and steel constructional elements, castings and pipes, special steels, non-ferrous metals, cables for power stations, equipment for energy transmission and distribution, industrial furnaces, marine Diesel engines, general and special engineering, ball, roller and taper bearings, reducing gear, metal-cutting tools, tractors, excavators and building machines, industrial and scientific instruments, plastics, mineral fertilisers, organic chemicals, explosives, chemicals for agriculture, newsprint, cellulose, and industrial gas.[84]

These industries (and their range has been extended since then) offer a wide field for the further penetration of foreign capital in important branches of Indian industry. It is already flowing there, concluding dozens of contracts and agreements and getting licences for the organisation of foreign or mixed enterprises. Of course, no few acute contradictions arise.

Mention should be made of some factors which restrain the export of private American capital to India. They are of a serious nature and operate over a long period. The point is that U. S. official policy which pushes private American capital into every nook and cranny of Indian economy, at the same time is opposed to American companies building factories abroad in industries whose goods could compete with American-made goods in the Indian, Asian and African market.

In addition to deep-seated political reasons (see Chapter II), the export of capital from the United States into industries manufacturing the means of production is also restrained by internal economic motives. First, it is kept back by the critical state of the U. S. balance of payments and the consequent desire to increase the share of other industrial states in aid to the less developed world and in so-called joint defence.[85] Second, there is fear of losing the market for the means of production exported to India. Third, account is taken of the drop in employment, which, because of the operation of the first two factors, is inevitable in view of greater competition on the Indian and other markets. Therefore, in addition to the rigid policy which insists that three-quarters of the purchases on account of U.S. economic aid be made in the United States, investments of American private and state capital will be restrained in branches manufacturing the means of production and consumer goods which might compete with American goods.

The statement made by the Indian Government on May 7, 1961,[86] on wider attraction of foreign investment into the new industries naturally caused alarm among Indian progressive opinion.

Excessive enlistment of foreign capital from the imperialist powers has its objective logic. It frequently sets off a chain of concessions which lead to the renunciation of the economic policy principles proclaimed earlier by a less developed country. The sum total of concessions, big and small, ultimately reduces the caution which must be exercised with regard to foreign enterprise: its growth, its interlocking with the privileged sections of society, and penetration in branches of the economy where it inevitably increases a country's economic dependence. The demand of some Indian monopolies and Right-wing leaders associated with foreign monopolies, that foreign capital be given unlimited opportunities and conditions similar to those enjoyed by national capital, is an example of an unpatriotic attitude.

The promise to increase American aid signifies an intensification of the economic offensive and still greater pressure by the American imperialists on India's foreign policy. Broad financial aid to India, according to the American monopolies, was to increase their influence on India's official circles with an eye to furthering the political struggle against the socialist community and against the policy of active neutrality.

It would be wrong to assume that concessions to the private sector and to foreign capital are the main line in the policy of the Indian ruling circles. The national and foreign monopolies did not succeed in preventing new state investments in big projects under the Third Plan and in increasing investments in the private sector. Nor could they obtain government consent to turn over the building of the fourth state steel works in Bokaro to private capital. Foreign oil companies which sought the government's permission for greatly extending the output of oil products gained it only in part. The further development of these key industries will proceed in the state, and not the private, sector.

Nor did the reactionary forces succeed in disrupting the extension and consolidation of India's economic cooperation with the Soviet Union and the other socialist countries. India's ruling circles realise that it is the strengthening and widening of these ties that provides the basis for carrying out the Third Plan and subsequent economic plans and, consequently, for winning the battle for economic freedom. These ties have extended the possibilities for fulfilling

[84] *Foreign Commerce Weekly*, Washington, August 7, 1961, p. 6.
[85] *New York Times*, December 7, 1961.
[86] *Times of India*, May 8, 1961.

the state plans, the range and depth of their economic influence on the advance of the entire country, industrialisation and the radical reshaping of the economic pattern. The ruling circles also realise that only large-scale, systematic assistance from the socialist countries has enabled India to obtain growing financial aid from the Western capitalist countries and to receive it on less onerous terms.

India's progressive opinion has sharply criticised the country's ruling circles. Although they receive increasing disinterested economic assistance from the socialist countries which promotes industrialisation and greater economic independence, they make concessions to foreign capital which are not justified economically and are incompatible with the national interests historically and politically.

Some men think that the concessions by the ruling circles have staved off for some time the spectre of nationalisation looming over the property of private foreign investors, and this is a success scored by the foreign monopolies. There is a certain amount of truth in that—but nothing is immutable.

The problem of nationalising big enterprise, foreign and local, is necessarily becoming more acute in the course of the struggle for economic independence and is made a pressing demand by the social movement in India. Serious changes in this sphere are not precluded, especially if we remember that the working people of India rightly link their poverty with the prosperity of the foreign and local monopolies. Struggle against their domination is becoming the hub of India's internal political life, and the next few years will show whether the country's democratic forces will be able to cope with the threat of big local capital, supported by the foreign monopolies, establishing its rule.

Thanks to support by the Soviet Union and other socialist countries India's industrialisation has become a fact and for a long time it will determine her economic and political development. In this sense foreign capital has suffered a decisive defeat. It is compelled to look for new forms of impeding the process of industrialisation. And since this ultimately is doomed to fail it looks for new ways of adapting itself to industrialisation and new forms of gaining control over it.

In the present situation it is difficult for the imperialists to press India to make open political concessions as a condition for granting financial aid. But this does not mean that no such attempts will be made or that they will be fruitless if the national democratic forces do not energetically combat them. Foreign loans and subsidies are now received by India without open military and political concessions (establishment of bases, participation in aggressive blocs, etc.), and this runs counter to the aggressive policy of the American monopolies.

Pressure on India, connected with the strategic aims and political interests of the American imperialists, naturally will continue. It will not be confined to the economic concessions already received.

Its main purpose is to compel India to renounce the policy of neutrality, peaceful coexistence and non-alignment, and to discontinue cooperation with the socialist countries. The U. S. monopolies have not succeeded so far, but they are trying hard. This is the danger inherent in their economic penetration, in neo-colonialism which they bring to India with the connivance of local big capital.

* * *

Concessions to foreign capital are usually justified by Indian bourgeois economists on the grounds that foreign capital helps create a so-called self-sufficient economy. Such an understanding of the role of foreign capital is one-sided, erroneous and dangerous.

Progressive Indian economists (Gadgil, Mahalanobis, Malaviya and others) understand this well and they have repeatedly warned the country's ruling circles and the public about it.

As a result of the concessions wrested by foreign capital the outflow of its profits since 1958 has noticeably exceeded the inflow of receipts. This is the essence of the destructive role played by private foreign capital as soon as it is given concessions or national control is relaxed.

According to a statement in the Indian Parliament made by M. Shah, the then Minister of Commerce and Industry, the transfer of interest, dividends and profits abroad reached Rs. 240 million in 1960. More complete data are given in Table 43.

Table 43

Investments and Profits of Private Foreign Capital in India's Private Sector
(million rupees)*

	Annual average, 1954-1955	1956	1957	1958	1959	1960
Gross investment in the private sector	213	433	590	521	553	952
Net influx of private foreign capital	149	249	179	24	110	533
Official foreign capital invested in the private sector	14	121	321	253	273	—
Profits of companies controlled by foreign capital	—	467	351	352	386	410
Including:						
distributed profit	—	272	256	254	233	265
reinvested profit	120	195	95	98	153	145
Exports of profits	—	70	152	190	240	—

* Sources: *Reserve Bank of India Bulletin*, May 1961, October 1962, pp. 1533-1535; *Economic Survey for Asia and the Far East 1960*, Bangkok, 1961, p. 156; *Economic Times*, August 17, 1961; *India, Economic Information 1962*, 1963, p. 80.

According to data of the Reserve Bank of India, in six years (1953-1958), profits on private investments amounted to Rs. 2,600 million, while foreign investments in the private sector during the same period increased by Rs. 1,812 million. In three years (1956-1958) Rs. 960 million, or 71 per cent of the Rs. 1,350 million of profits received by foreign investors, were exported.[87] India lost in profits extracted by foreign capital at least as much as she received by way of investment. But in the meantime the foreign monopolies increased their capital in the country and intensified exploitation of the people and natural wealth, and India's indebtedness to foreign investors rose.

That is why the abstract presentation of the question about the positive significance of the influx of foreign capital in India's economy, which is found in the works of Indian bourgeois economists, is one-sided and erroneous.

L. Narain, the author of a fundamental study *The Economy of India*, writes: "The use of foreign capital will accelerate the economic development of the country; the additional wealth produced may be used for the repayment of interest and capital while the assets (e. g. railways, canals, industries) created by such capital will be a permanent addition to the capital equipment and productive capacity of the country."[88] L. Narain further says that foreign assistance in the form of loans or private investment is becoming increasingly necessary and "this has been the experience of practically all countries that have achieved a substantial rate of economic growth".[89] The author is clearly not very well informed about the historical experience of the Soviet Union which developed its economy at a rapid pace without foreign loans.

The viewpoint expressed by Narain is widespread among Indian bourgeois circles. He writes: "India did not want to create a sense of fear among the foreigners. It assures them that their money will be respected and honoured."[90] Narain is also in favour of creating a suitable economic climate for foreign investments.[91]

This view of the role of private foreign capital is fallacious because it completely ignores the imperialist essence of the monopolies. Narain's assertion that foreign-built industries will become part of the country's productive capacity is wrong because productive capacity built by private foreign capital, as a rule, belongs to another country, and not to India. No economist can ignore the question of ownership of these industrial enterprises.

This question is exceedingly important. State property built in India with foreign assistance, provided it more or less conforms

[87] *Reserve Bank of India Bulletin*, August 1960, p. 1081.
[88] L. Narain, *The Economy of India*, Meerut, 1959, p. 258.
[89] *Ibid.*, p. 259.
[90] *Ibid.*, p. 260.
[91] *Ibid.*, p. 264.

to the country's interests, substantially differs from property created by the imperialist monopolies' investment in the private sector. It is not fortuitous that the foreign monopolies almost exclusively flock to the private sector. The results of recent years, marked by the policy of concessions to foreign capital, conclusively prove that such a policy runs counter to the aim proclaimed by the National Congress — to build a society of the socialist pattern—because it leads to greater exploitation of the country and the people by foreign capital.

Table 44 contains data on the profits and gross foreign investment in the private sector by main branches. Though they do not deal with the rate of profit on the entire advanced capital, these figures reveal a highly essential point—the ratio between the sums which foreign capital extracts from it for personal consumption and reinvestment.

Table 44

Gross Foreign Investments and Profits in India's Private Sector
(million rupees)*

	1956	1957	1958	1959	1960	Total for five years
Oil industry:						
Gross investments, Rs. million . .	125	176	62	154	378	895
Profits, Rs. million	166	125	110	108	100	609
Profits in relation to annual investment, percentage.	133	71	173	70	26	68
Manufacturing industry:						
Gross investments, Rs. million . .	181	388	359	352	475	1.755
Profits, Rs. million.	124	107	129	161	178	699
Profits in relation to annual investments, percentage.	69	28	36	49	37	39

* Compiled on the basis of data of the *Reserve Bank of India Bulletin*, May 1961; October 1962, pp. 1533-1534.

It is not surprising that the level of gross profits in the oil industry is equal to two-thirds of the current investment and that the oil monopolies hardly need to bring in capital for making big investments because the profits are sufficient. The high level of current profits in the manufacturing industry is worthy of note; this is the field which has attracted foreign capital in recent years and where its exploiting features are very apparent.

* * *

In exporting both private and state capital the U. S. ruling circles and monopolies ultimately are after big political and economic

aims. These are to reinforce the private sector in industry as opposed to the state sector. The American imperialists are trying to gain these ends by channelling their credits into the private sector and also by restricting the sphere of operation of the state sector and retarding its development. In this category, too, is the desire to hamper the plans for developing the capital goods industries and to divert state resources primarily into the development of transport facilities, irrigation, power, light and food industries, etc.

The American monopolies associated with Indian big business and government officials are trying to impede or limit the development of new enterprises which are being built with socialist help and are essential for India's industrialisation. The Forum for Free Enterprise which was set up in 1957 by big capitalists, and the reactionary Swatantra Party founded in 1959 direct their programmes against the policy of industrialisation under state control and the building of a powerful state sector in the country's economy. These organisations support the policy of the American monopolies in India.

American aid in India seeks to perpetuate the trend of her economy inherited from the colonial period which, on the one hand, specialised in the production of agricultural raw materials, and, on the other, depended on imports. This aid hampers the creation of a balanced economy, which we understand as self-sufficiency in decisive means of production and necessary consumer goods and an equal status in international trade.

Let us recall that as early as 1955-1956 India planned to build the first state-owned steel works with an annual capacity of 350,000 tons and to extend the plant in Mysore to an annual output of 60,000 tons of pig iron. These very modest projects were opposed by the big businessmen who control the private steel companies. They were supported by the U. S. steel monopolies who refused to render India financial and technical assistance. As a result these projects were still-born.

J. K. D. Tata, head of the Indian concern which at that time monopolised steel production in the country, stated at a shareholders' annual meeting that an overestimation of the importance of the steel industry in future plans may prove a costly mistake; it would be better if India had fewer steel plants.[92]

While the Indian monopolists resisted the development of a state steel industry because it curtailed private enterprise in this sphere, the American monopolies had another axe to grind. They wanted to make the country's industrialisation dependent on steel imports from the United States.

In 1955, the Soviet Union came to India's aid. At her request it delivered a million tons of steel on easy loan terms, thus frustrating

[92] D. Latifi, *India and U. S. Aid*, p. 35.

the attempts of the American monopolists and the big Indian capitalists to impede the building of large factories in the state sector.

Resistance to building state-owned heavy industry enterprises assumes the most diverse forms—from demands directly to abandon the building of some project to demands to turn state enterprises into something secondary and corollary to private enterprise.

We noted earlier that American state capital does not participate in building state heavy industry and capital goods enterprises in India. This fact is admitted in the United States itself.

Many American economists and politicians maintained that India was trying to do too much too swiftly and that it was necessary to lay emphasis not so much on the building of steel mills where fewer workers are engaged as on expanding the production of food. This was a continuation of the line of discrediting the country's industrialisation in the eyes of the Indian people, especially since these statements were made at the time when the Third Plan was being drafted.

Once in a while breaches are driven in this die-hard policy. Negotiations concerning the participation of American capital in building the state steel works at Bokaro with an annual capacity of three million tons went on for a long time between the United States and India. This project was included in the Third Plan in expectation of credits from the United States. But towards the end of the Eisenhower Administration the United States and the International Bank for Reconstruction and Development refused to participate in building the Bokaro works.

Talks on this question were resumed under the Kennedy Administration. The American side, as before, did not agree to the building of the works in the state sector. It demanded that the shares of the company which would be in charge of building and operating the Bokaro works should be divided as follows: 30 per cent should go to American steel corporations, 30 per cent to Indian capitalists and 40 per cent to the Indian Government.[93] The idea behind this demand was to set up a mixed company with the preponderance of private over state capital, in the expectation that control would be exercised by the American steel monopolies together with the Indian monopolies. The Indian Government insisted on building the works in the state sector. It agreed to give the American side only a small part of the shares for the credits and technical assistance. After the expiration of the term stipulated in the agreement these shares were to be sold to Hindustan Steel, an Indian state company.

After a protracted struggle the American side was compelled to withdraw its main objection, that of building the plant in the state sector. The Indian *Economic Weekly* noted: "...Though the political climate in America in regard to India is not so bad, the credit will

[93] *Economic Weekly*, March 31, 1962.

go to a public sector project which is still anathema to many Americans." The reason was that the private American steel companies resisted construction in which they would have a minority of shares which, moreover, would have to be sold to India after some years.[94]

The concession by the United States was put in the right perspective in India: the overriding consideration which led to the softening of the American attitude was the competition from the Soviet Union. "American aid does not create as big an impact on the public mind as does Soviet aid. Hence the American decision to build a 'prestige' project in India."[95] The compromise which was in the making as a result of prolonged struggle signified, on the one hand, a certain retreat by the U. S. monopolies, expressed in consent to finance the building of a large heavy industry enterprise in the state sector and, on the other, a certain deviation by the Indian side from the 1956 declaration by allowing foreign capital to own a state enterprise temporarily.

In the long run, however, this compromise did not materialise. The Indian Government under Nehru's leadership decided to build the Bokaro plant relying on its own steel and engineering industry and it asked the Soviet Union to cooperate in the construction. In April 1964, the Soviet Government declared it was ready to participate in building the large steel plant at Bokaro (with a capacity of up to 4.5 million tons annually) for the state sector. The decision to do without American aid was taken not without sharp internal struggle and as a result of energetic pressure by democratic opinion.

The position of some Indian monopolies on this question is of certain interest.

The experience of the last 10-15 years shows that the Indian and American monopolies long ago set their sights on the steel industry. As a rule, they do not favour the development of a steel industry in the economically backward countries. Whenever possible they have for years delayed plans for building medium-size, and at times even small, steel plants. This has been the case in Pakistan and Turkey where such development is obstinately frustrated by the American monopolies and their agents. They naturally were extremely displeased with the resolution adopted by the Indian Parliament in 1956 which laid down that steel works were to be built only in the state sector. Before long, however, both the American monopolists and their Indian colleagues learned that in practice the Indian Government was quite liberal; it permitted "expansion of the existing units in the private sector as a part of the development of the steel industry".[96]

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[94] *Ibid.*
[95] *Ibid.*
[96] "The Battle of Industrial Production", *Eastern Economist Annual Number 1964*, New Delhi, December 27, 1963, p. 1280.

During the First and Second Plans the Indian Government built three large steel works, but the steel capacity in the private sector doubled. The Indian monopolies received loans from the I.B.R.D. with a government guarantee, and the government itself gave credits of Rs. 287 million.

Steel is the basis of industrialisation; industrialisation is the basis of economic independence; economic independence is the prime requisite for preserving and consolidating political independence. This is well understood by the U. S. monopolies and politicians. The Birla concern has been chosen as one of the instruments of pressure by monopoly capital on the government. The assets of this concern exceed Rs. 2,500 million. It has long been trying to break into the steel, chemical and engineering industries. Its proposal to build a large steel works under the First Plan was rejected by the Nehru Government. The next step was to clamour for permission to build a steel plant at Bokaro in the private sector. Birla took all measures including those which should be qualified as anti-national. He tried to persuade his partners in the United States to give India a loan only if the construction and operation of the Bokaro plant would be in the private sector. Otherwise, in Birla's opinion, U. S. Congress should refuse the loan. In this instance the narrow class, selfish interests of Indian big business have been manifested to the full. While the struggle around Bokaro was under way, Birla took two steps: he bought a big block of shares of the Tata Iron and Steel Company and received government permission to triple the capacity of the foundry he was building, from 100,000 to 300,000 tons annually. Thus, he penetrated the Indian steel industry and is now trying to extend his influence in it.

Birla's stand regarding the further development of the Indian national steel industry has been well expressed by an article in the *Eastern Economist*, a mouthpiece of the Birla concern. According to the author of this article, it is essential that the Indian Government should not hesitate in augmenting its efforts to build up new steel works by drawing on the internal and external resources in the private sector.[97] In a word, the motto of the Indian monopolies is to open wide the doors of the steel industry to private capital, local and foreign.

The author of the article gives the following recommendation to the government: "It seems to us that even American assistance need not and should not be finally ruled out and if the private sector in India could help to draw foreign support, the possibility should be constructively explored, rather than ideologically dismissed."[98]

American politicians and economists realise the simple truth that India is gradually drawing near to the important point when,

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[97] *Ibid.*, p. 1284.
[98] *Ibid*

as regards objective indicators of her economy, she could be classed among countries with an average level of industrial development. The decisive criterion for this is India's ability to effect on a national basis extended reproduction of all the means of production with the help of her own personnel and her own industrial potential. The most unpleasant thing for the directors of American policy is that India's industrial potential has been built up with the assistance of the socialist countries and, moreover, in the state sector. It is not surprising that the American and West European monopolies persist in their attempts to penetrate India's steel, engineering, chemical and other new key industries through the private sector, through an alliance with the Indian monopolies, by helping them and mixing capital with them and, consequently, by gaining control over them. This brings high profits, which in itself is important. But, what is much more important, it consolidates politically and economically the forces opposed to the state sector, and ultimately to the socialist development of India—a historically inevitable prospect.

Let us turn to another highly important branch of the Indian economy subjected to American pressure. The penetration of U. S. monopoly capital in the oil refining industry and marketing of oil products in India provides a classical example of economic neo-colonialism in the guise of aid after the Second World War when India became a sovereign state and faced the grave economic aftermath of colonialism.

In India's inherited economic backwardness the almost complete lack of an oil industry was one of the most dangerous aspects of her foreign-economic dependence. A huge country which undertook to build a national economy was covering only six per cent of her oil requirements without which neither modern industrial development nor defence is conceivable.

In this respect India could not even be compared with other Asian states (Indonesia, Iran, many Arab countries). In contrast, India had no oil industry of her own. Moreover, British and American specialists claimed for many years that she had no oil resources. Up to the beginning of the 1950's, no substantial oil reserves had been discovered, and the country fully depended on imported oil products. India's fuel and power balance was extremely unfavourable. The U. S. and British monopolies took advantage of this situation by imposing their aid on India.

The American Standard Vacuum Oil and California and Texas Oil (Stanvac and Caltex) and the British Burmah-Shell obtained favourable terms for building and operating three oil refineries. The Americans built two refineries, one near Bombay (throughput of 1.2 million tons) and another near Vizakhapatnam (throughput of 700,000 tons).

The British refinery in Bombay has an annual throughput of

2 million tons. Together with the British refinery in Digboi (Assam) with a capacity of 400,000 tons, the total output of the foreign refineries was 4.3 million tons in 1957 and is now 5 million tons.[99] In 1960 India accounted for 1,056,800 tons, or 0.043 per cent of the world production of crude oil.

The special conditions enjoyed by the foreign oil monopolies in India are as follows:

a government guarantee against nationalisation for 25 years; in case of subsequent nationalisation, redemption on terms of "fair compensation";

75 per cent of the joint-stock capital belongs to the foreign concerns and only 25 per cent to Indian holders;

full repatriation of capital at any time and unlimited transfer of profits abroad;

duty-free imports of crude oil for refining in India;

sale of oil products in the Indian home market at prices of imported oil products;

export of oil products from India.

Taking advantage of all these privileges, the foreign corporations established in India a monopoly of the production of petrol, paraffin oil, Diesel oil, lubricants and all other oil products, and they sell them at monopoly high prices. Prices of oil products in India are almost three times higher than in the United States.[100] These prices are based on calculation of the cost of refining oil products from crude supposedly extracted in the United States and delivered to India. In actual fact, crude is imported to India from Kuwait, Bahrein, Iraq and Indonesia, where it is 80-84 per cent cheaper than in the United States.

During the First Plan period India paid Rs. 3,700 million for the imports of crude and oil products. This sum is 6 times greater than India spent for the development of state industry during this period (Rs. 600 million) and 8 times greater than all the investments in the oil refining industry (Rs. 450 million) during these five years.[101]

It is easy to understand why in recent years the profits of the foreign oil companies amounted to 30-35 per cent of the total profits obtained by foreign capital in India and why the cost of building the refineries was recouped in the first two or three years of their operation.

The inroads made by American and British monopolies into the refining and marketing of oil products is perhaps a classical example of neo-colonialist tactics. In June 1948, private foreign investments in this branch amounted to only Rs. 223 million, or 8.7 per cent of all private foreign investments. By 1955, after the American and

[99] *India. A Reference Annual 1960*, New Delhi, 1960, pp. 319-320.
[100] *Searchlight*, September 30, 1961.
[101] *India. A Reference Annual 1960*, pp. 300-301.

British monopolies had won privileges for themselves, investments had increased to Rs. 1,040 million, or by 4.6 times, and amounted to nearly 22 per cent of all private foreign investments. In 1959, private foreign investments in oil production, refining and marketing reached Rs. 1,207 million, or almost 20 per cent of all private foreign investments. It is indicative that in 1959 investments of the British monopolies in the oil industry comprised 18 per cent of all their Indian investments, while in the case of the American monopolies the share was 56 per cent.[102]

The Anglo-American monopoly in the oil market of independent India is a typical aspect of neo-colonialism. This monopoly would have remained unshaken for many years had not Soviet specialists helped India discover her own oil. With the help of the Soviet Union and Rumania (preparation of designs, delivery of equipment, training of Indian specialists, extension of credits at an annual interest rate of 2.5 per cent) three state oil refineries with a total capacity of about 4 million tons are being built. This means that the Indian state will soon own more than 40 per cent of the total oil refining capacity.

The oil refinery at Noonmati (Assam) has already come into operation. More than 3,000 tons of crude oil, extracted in the state sector, at oil fields discovered and developed with Soviet assistance, are daily supplied for processing to the Burmah-Shell refinery in Bombay.[103] All this means an end to the imperialist monopoly of India's oil market. To weaken the position of the foreign oil corporations, the Indian Government has begun to import large quantities of Soviet oil products. Payment is made in Indian rupees and not in foreign exchange. Their prices are lower than the prices of the Western oil concerns and the latter have had to follow suit.

There are increasing demands in India to abrogate the disadvantageous agreements with the foreign corporations. The U. S. Government was consequently compelled to offer India financial assistance for extending oil prospecting in the state sector. The foreign monopolists who are being pressed on the Indian oil market have considerable support among the country's ruling circles. Together with Right-wing reactionaries they have succeeded in ousting Minister for Oil K. D. Malaviya who persistently fought against the grip of the foreign monopolies and did much to secure India's oil independence. And the Indian monopolies are supporting the new demands of the foreign corporations for the further extension of their enterprises in India.

Aware that the oil monopoly will disappear in the next few years, the United States wants its governmental financial organisations to make inroads into the state oil industry.

[102] *India. Economic Information 1962*, New Delhi, pp. 77-79.
[103] *Foreign Commerce Weekly*, November 6, 1961, p. 6.

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What will be the policy of India's ruling circles towards foreign capital in future? This problem is the subject of heated discussion in the country.

When the Third Five-Year Plan was drawn up, the question of attracting foreign capital on a wider scale and in more acceptable forms acquired great importance. In November 1959, B. K. Nehru (at that time India's Commissioner General for Economic Affairs, and later Indian Ambassador to the U. S. A.) stated at the 48th annual convention of the Investment Bankers' Association that India was getting the capital necessary for her development through maximum taxation and restriction of consumption. "... For the next ten or twelve years," he said, "the nation will have to continue looking to other nations for investment capital. We see no escape from having to rely to the extent of roughly 20 per cent of our needs on external capital."[104]

B. K. Nehru complained that India had not succeeded in attracting private capital from the United States. He said that the Indians themselves were partly to blame because they had not sufficiently explained their position and had not tried hard enough to dispel the erroneous ideas formed by Americans chiefly owing to the use of words like the "socialist nature of production" in describing the aims of India's economic policy.[105]

Forces seeking to create a favourable climate for American capital are evidently gaining ground in India. The desire of influential circles to attract large foreign, chiefly American, private investment and secure the development of the Indian economy in a way advantageous solely to big business is menacing the country's national interests.

G. D. Birla, whose giant concern controls over 300 Indian and about 15 mixed commercial and industrial companies, openly voiced this desire. Speaking at the Nineteenth Annual General Meeting of the shareholders of the United Commercial Bank Ltd., he said: "Aid and loans will be major contributory factors for a long time to come but we must make a special effort to attract *private* (my italics.—*R. U.*) foreign investment and we should also try to raise loans not merely on government-to-government level but also in the financial market of the world.... An atmosphere must be created in which it would be possible to raise loans in course of time."[106]

The Indian bourgeoisie as a whole, and especially its monopoly section, has grown stronger. Investment of national capital is increasing faster than foreign. National capital has developed new industries. Spokesmen of the big bourgeoisie think that in these

[104] *New York Times*, December 1, 1959.
[105] *Ibid.*
[106] *Economic Weekly*, April 14, 1962.

conditions foreign capital does not constitute a big danger and concessions can be made to attract it. The Indian bourgeoisie is afraid of the difficulties which arise as the country develops. They fear their social consequences. The attraction of foreign capital, especially American, is regarded by the bourgeoisie as the lesser evil, as a method of solving intricate problems and preventing internal social upheavals.

The entire policy of the Indian national bourgeoisie and its ruling circles with regard to foreign capital, as before, bears a deep imprint of class limitations. This policy has never been radical and it has always suffered from excessive moderation.

After the attainment of independence in 1947 and the advent of the national bourgeoisie to power it tried, more than now, to restrict foreign capital. But even at that time it did not appeal to the people for support. The history of independent India so far has had no Suez or anything resembling the nationalisation of Dutch property in Indonesia, British property in Burma and French in Algeria.

In contrast, Indian ruling circles refuse to nationalise private foreign property. [107] By giving private foreign investors guarantees against nationalisation, on the one hand, and widely accepting socialist assistance, on the other, Indian ruling circles try to utilise the relations between the socialist community and the imperialist camp to their advantage and to receive maximum economic aid from both sides. The possibility of nationalising private foreign property, just as assistance from the socialist countries, is at times utilised successfully by the Indian Government in resolving its political and economic contradictions with the West.

But refusal to pursue a democratic policy of ousting the foreign monopolies from the country's economy is dictated not only by political considerations. It stems from the class nature of India's ruling circles.

Concessions to foreign capital in recent years have bound its interests closer to the interests of big national capital, notwithstanding the keen competition between them.

The process of consolidation of big Indian capital is accompanied by the extension of the old and the formation of new monopoly firms and groups. [108] Critically regarded by a number of official institutions and persons, this process must not be examined in isolation from the influx of foreign capital into the country. [109]

As a result of greater dependence of economic plans on foreign loans, credits and investments, an inordinately big part of these external funds falls into the hands of Indian monopolists (the concerns of Tata, Birla, Walchand, Mahindra, Dalmia, Singhania and others) who extend their influence on the country's affairs. But that is not the only point. "The possibility of endangering foreign aid prospects seems to have begun to play an important part in policy discussion in a variety of contexts and the factor always acts in favour of the special interests of the large business sector." [110] This conclusion by D. R. Gadgil, noted Indian economist, adviser to the government and head of the Gokhale Institute of Politics and Economics, shows that there is a growing tendency in the political line of the ruling circles to make things easier for foreign capital.

The government statement on industrial policy in 1948 spoke about the nationalisation of foreign property; 10 years later, when the time for realising this statement arrived, all talk of nationalisation disappeared and the subject is no longer broached. The programme of nationalising the property of foreign capital gave way to a programme of active collaboration with it. India's former Minister of Finance M. Desai, stating that it was impossible to attain the requisite level of investment by internal resources—an argument which has become customary for justifying the policy of concessions to foreign capital—declared that exceptionally favourable conditions for foreign investment existed in India. The flow of foreign capital in coming years might be larger than before. The government welcomed foreign capital. Once foreign investment on mutually advantageous terms was permitted it was treated on the same footing as Indian enterprise. Mr. Desai said that all the help and encouragement the Indian Government was giving to private enterprise would be equally applicable to foreign investors. [111]

With such an approach any programme of nationalising foreign property was naturally out of the question. Official socialism proclaimed in India expects to get along without nationalising foreign property.

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[107] According to V. M. Dean, "India has abandoned the overall programme to nationalise private industry falling within the public sector"; the Indian Government since 1956 "has made it clear that it is willing to give foreign private investment an opportunity to justify itself in a socialist state" (*New Patterns of Democracy in India*, Cambridge, Mass., 1959, pp. 126, 130).

[108] This process has been intensified in recent years and is reflected in many works on this subject published in India. Mention should be made of *The Corporate Sector in India. A Factual Presentation of Long and Short-Term Trends* by K. Nigam and N. C. Chaudhuri (New Delhi, 1960); *Big Business in India* by R. K. Hazari (New Delhi, 1961); *L'Inde Independante* by Charles Bettelheim (Paris, 1962).

[109] The report of the National Congress Planning Subcommittee which drafted the Third Five-Year Plan, criticises the growing monopoly tendencies in the country's economy, and the consequent concentration of wealth in the hands of the upper crust; it admits that sentiments of blasted hopes and lost enthusiasm prevail among the people (*Report of the Congress Planning Subcommittee*, New Delhi, 1959, pp. 9-12, 13, 29, 67).

[110] D. R. Gadgil, *Planning and Economic Policy in India*, Poona, 1961, p. 79.

[111] *Hindustan Times*, December 19, 1960.

Private foreign capital, as seen from India's example, is ready to make investments when it is given economic and legal privileges, when it is able—along monopoly lines or in partnership with local big business—to get high profits and export them. But when private foreign capital begins to enjoy these privileges its positions gradually get out of control. Far from accelerating independent economic development it ultimately undermines the national foundations of the economy.

There is one more aspect of the matter. Bourgeois Indian economists and American specialists in Indian affairs usually present the country's economic, technical and cultural backwardness as justification for the influx of foreign capital. They thus ignore the fact that approximately 80 per cent of the population in this vast country are caught in the vice of impoverishment, a process which has not stopped and in a certain sense has even been accelerated with the development of capitalism. What makes the role of private foreign capital reactionary is that it spurs on the impoverishment of the people.

Foreign capital—and this point should be particularly stressed with regard to private American capital—impedes rational planning of India's industrialisation, state regulation of the private capitalist economy, the growth of state industry, enlistment of the capital of the bourgeoisie and landowners, and progressive social legislation. By establishing contacts with the Indian monopolies and the semi-feudal and compradore elements, private foreign capital acts as a force which prevents radical changes in the productive forces and relations of production, prevents an effective land reform and regeneration of the entire economic and political system on a national democratic basis.

In fact, concessions to foreign capital contribute to the formation of new privileged groups which are exerting a reactionary impact on the country's political life.

India's patriotic circles realise that the further expansion of private capital of the imperialist powers aggravates the class struggle, exacerbates contradictions within the bourgeoisie and increases the economic burden. Many patriotically-minded representatives of the bourgeoisie and intellectuals, particularly of the middle and petty bourgeoisie, are waging an active struggle against the inroads of foreign capital.

The intrinsic duality of the Indian bourgeoisie is making itself increasingly felt in its attitude to foreign capital. While striving to preserve and reinforce the independence of the bourgeois national state as a prerequisite for its economic and political domination as a class, the national bourgeoisie, its core, develops large state enterprise and state control over the economy, carries out partial social reforms and pursues a policy of neutrality and anti-colonialism. This makes its policy national in character. At the same time its

upper crust, while still favouring the preservation of the country's sovereignty, displays a growing inclination to revise the foreign policy and tries to resolve the internal economic difficulties through a compromise with imperialism.

The working people back the progressive aspects of India's home and foreign policy, they seek to make it consistent and reinforce its national democratic and anti-imperialist trend. The attitude to aid from the imperialist powers, to private foreign capital and to the Indian monopolies collaborating with it has become an important aspect of the class struggle in India.

American Policy of Neo-Colonialism and Consolidation of India's Reactionary Forces

The U.S.-India conference held in Washington (May 4-5, 1959) under the auspices of the State Department and the U.S. Committee on International Economic Growth, marked an important stage in American policy towards India.

The composition of the conference spoke for itself. The board of directors of the Committee on International Economic Growth consisted of Eric Johnston of the Motion Picture Association and General Lucius Clay; Milton Eisenhower, President of Johns Hopkins University, brother of the ex-President of the United States; General Alfred Gruenther, former SHAPE Chief of Staff, and George Meany, well-known trade union leader.

Among the sponsors of the conference were the Asian Foundation, the Centre for International Studies of the Massachusetts Institute of Technology and other organisations.

The following organisations financed the conference and showed a great interest in it: Bank of America, Kaiser Engineers Overseas Corporation, Kaiser Aluminium and Chemical Corporation, Koppers Company, Standard-Vacuum Oil Co., Union Carbide International Co., Willys-Overland Export Corporation and some other big banking and export monopolies. Averell Harriman and John D. Rockefeller, President of the Asia Society, were among those present at the conference. A part was also taken by John Kennedy (who was Senator at the time), Senator Humphrey, Richard Nixon (at that time Vice-President of the U.S.A.) and Allan Dulles, then head of the Central Intelligence Agency. [112]

India was represented by her Ambassador to the United States M. C. Chagla, B. K. Nehru, Commissioner-General for Economic Affairs, and H. V. R. Iengar, then manager of the Reserve Bank. The conference was also attended by Indian businessmen and econ-

[112] *New York Times*, May 4, 1959.

omists—Asoka Mehta, Right-wing Socialist, B. Patel, President of the All India Cooperative Union, and Frank Moraes, editor of the *Express* newspapers.

A report was made by Wilfred Malenbaum from the Centre of International Studies of the Massachusetts Institute of Technology. He said that Soviet economic assistance to India was marked by greater purposiveness and concentration on decisive sectors of development, which created a more favourable impression than American aid which was scattered and therefore insufficiently effective. He said that India's Second Plan would not be fulfilled in major targets—national income, volume of output and increase of employment. In view of these failures, deep disappointment of the people over the policy of the National Congress could be expected. In Malenbaum's opinion, this would give rise to contradictions whose elimination would necessitate more rigid and less democratic methods of administering the country. He called for the pooling of effort by the United States, Britain, West Germany, Japan, international economic organisations and Colombo Plan countries in rendering aid to India so as to prevent the growth of communist influence. Malenbaum challenged the Indian Government's policy of industrialising the country and advised it to curtail state control over economic life by extending the possibilities for attracting private foreign investment. [113]

This conference in Washington was the first gathering at which certain official leaders of India themselves openly spoke of the need to increase American aid on the grounds that this would serve as a decisive means of preventing the victory of communism.

The speech of M. C. Chagla, then Indian Ambassador to the U.S.A., merited attention in many respects. According to Chagla, "a great and decisive battle is being waged in the world between dictatorial and democratic methods of solving the problem of poverty. India is the battleground and the victory or defeat of democracy will be registered in that country. If democracy fails in India, freedom will be the casualty over the whole of Asia and Africa." He predicted "a long, arduous war" to bring about economic and industrial development in his country.

The gist of this speech was—give India extensive and regular economic assistance without making it conditional on joining Western blocs. India needs a big influx of foreign capital for industrialisation along capitalist lines; collaboration between American and Indian capital must become a common platform.

It should be borne in mind that anti-communism is manifested not only by the Right-wing parties of India. It is also inherent in influential groups of the National Congress and among many in the ruling circles. Chagla's speech with its clearly pronounced anti-communist essence was, as it were, a blend of the ideology and policy of the extreme feudal and pro-American elements and reactionary groups of the Indian bourgeoisie ready for compromise with imperialism, with the ideology and policy of U.S. imperialism itself.

[113] *Ibid.*; *Washington Post*, May 5, 1959.

There were also certain special underlying motives for such a speech. The difficulties of India's national economic construction during the First and Second Plans, manifested in an acute shortage of foreign exchange, rise of prices, growth of inflation and shortage of equipment and materials, made some men among India's ruling circles look for a way out of the difficulties in playing on both anti-communism and anti-imperialism. This was reflected in Chagla's speech.

Willingness to make concessions to foreign capital clearly resounded in the speeches of India's other official representatives at the Washington conference, including B. K. Nehru, Commissioner-General for Economic Affairs, who urged "Marshallisation" of aid to India after the pattern of aid to Western Europe in the first post-war years. [114]

But "Marshallisation" of aid increases foreign indebtedness, which causes alarm among all patriots. Between 1959 and 1964, India had to pay only on loans redeemable in convertible currency Rs. 3,900 million, of which 2,700 million were in repayment of the loans and 1,200 million as interest. [115] Thus, the sum of interest alone amounted to 31 per cent of the total. The mounting foreign debt results in a situation when a considerable part of the new foreign aid (up to 25-30 per cent) is used for repaying the accumulated debt. In 1960/61 repayments amounted to Rs. 920 million; in 1961/62 to Rs. 1,230 million and in 1962/63 to Rs. 1,070 million. [116]

All this complicates the country's foreign-exchange position and its ability to pay, increases vacillation in a certain section of the ruling circles as regards the application of a consistent neutral policy and gives rise to a desire to overcome the shortage of foreign resources by accepting more aid from the imperialist powers and the monopolies.

The Washington conference was also significant because concrete and far-reaching proposals on aid to India were made there. Harriman suggested that India be given not less than $ 1,000 million in aid annually; Kennedy spoke in favour of something like a Marshall plan on an international basis. Senator Humphrey recommended to give India long-term financial aid and the necessary food. He also suggested the establishment of a permanent "aid club" to render financial support to India. This proposal was realised shortly afterwards.

[114] *New York Times*, Tay 4, 1959.
[115] *Journal of Industry and Trade*, May 1959.
[116] *Times of India*, March 13, 1958.

Quoting Paul Hoffman, former Marshall Plan Administrator, H. Lodge offered the following reasons for setting up an aid club to give multilateral aid to less developed countries, especially India: "The countries of Western Europe, now fully recovered, are able to invest more in underdeveloped areas than they are now doing. Their gold and foreign-exchange holdings, as well as their capacity to earn more, are increasing. The United States, on the other hand, is facing a continued deficit in its balance of payments and its gold stocks are declining. It is clearly to our interest to spread the responsibility for investment in the underdeveloped areas and to induce other countries to make their maximum contribution." [117]

Many ideas voiced at the Washington conference subsequently were incorporated in the official policy of the U.S. Government.

The entire line clearly displayed at the conference was based on long-standing strategy—the effort to establish a close alliance of the United States and India under American leadership, to utilise India's economic difficulties so as to try to make her break with the policy of active neutrality, draw the country into an alliance with SEATO countries and convert her into a counter-balance to Asian socialist countries.

* * *

The "new trends" in Washington's policy of aid to India have been making themselves felt for several years. When drawing up the budget for 1960 the Eisenhower Administration tried to take into account the need for more aid to India.

At that time the presidential elections were in the offing and aid to India frequently figured in the speeches of the Republican and Democratic candidates.

A mission of the International Bank for Reconstruction and Development visited India in 1960 and submitted estimates of the total aid India would need for her Third Plan. The mission's report was signed by the president of Lloyds Bank, Ltd., by the President of the Deutsche Bank, and the former President of the U.S. Federal Reserve Bank. The very composition of the mission, with representatives of Britain, West Germany and the United States, reflected a desire to handle the question of aid to India on a multilateral basis.

The mission found that aid to India between 1961 and 1965, in the form of loans, subsidies and food surpluses, should be given for a sum of $6,600 million, i. e., increased by 45 per cent.

The remarks made by the mission members are of interest. They said that, ultimately, aid to India was designed to ensure a greater influx of private foreign capital and that creditor countries should recognise the national sovereignty of the states they are helping,

[117] *Department of State Bulletin*, April 4, 1959, p. 525.

while the aid recipients should demonstrate that such aid is realistic and is spent for reasonable purposes.

Contrary to India's request, the mission advised that, as before, guarantees of future aid allocations be given only one year in advance.

The mission urged that private investment should not be ignored. In its opinion, as India's economy grew stronger it should be given the opportunity to replace extraordinary forms of aid from other governments by the influx of private investment. [118]

The mission's report no longer contained the open, insistent demands that India renounce industrialisation, which had been included in the report of the Bank's mission in 1956. All three members of the 1960 mission declared they were impressed by India's industrial programme. In their opinion, India was among the countries producing steel at lowest cost. Considering the possible difficulties in financing the programme of the Third Plan, the mission advised India to preserve flexibility in planning so as to be able, if necessary, to drop the less important undertakings without impairing the principal projects.

The attitude of the mission was by no means accidental. The world knows that the Soviet Union and the other socialist countries gave India assistance, making possible the building of the main industrial projects of the Third Plan. The sum of this assistance (balance of unutilised credits under the Second Plan and new credits for projects under the Third Plan) amounted to Rs. 3,100 million at the beginning of 1961 and to Rs. 3,800 million on December 31, 1962. [119] In these conditions it was impossible to come forward with proposals similar to those made by the I.B.R.D. in 1956.

India's Third Plan was assessed as more or less realistic and feasible not only by the I.B.R.D. mission but also by a special group of American advisers who submitted recommendations regarding aid to India, to Kennedy prior to his induction as President. [120] The sum of aid was estimated at $2,500 million, not including deliveries of American food surpluses. It was assumed that a similar sum would be given by the other capitalist countries—Britain, West Germany, France, Japan and Canada—which together with the United States would form the so-called Aid India Club.

The report of the group of advisers recommended aid on a long-term basis, which would enable India to complete projects started and not to feel constant uncertainty in view of the irregularity of aid.

The question of multilateral aid to India had been raised earlier too. In August 1958, one of the most critical periods in carrying out the Second Plan when India's foreign-exchange resources were

[118] *New York Times*, April 19, 1960.

[119] *External Assistance 1962*, p. 83.

[120] Prof. M. Millikan, director of the Centre for International Studies, Massachusetts Institute of Technology, headed this group of advisers.

swiftly dwindling, the I.B.R.D. held the first conference of "countries friendly to India". The conference attached special significance to India's five-year plans and it was turned into an aid club of nations, which, according to its spokesmen, were bound by common desire to give India an opportunity to undertake a bold development programme. [121]

Later on, regular meetings of the consortium were held to estimate India's requirements in foreign exchange for development purposes.

In April 1961, when the Third Plan was launched, a regular conference of the Aid India Club was convened. The United States, Britain, West Germany, Canada, Japan and the I.B.R.D., the original members of the consortium, however, differed as regards the share of their contributions to the club fund in the first two years of the Third Plan.

In late May and early June 1961 the club members met again. The conference was also attended by representatives of France which had joined the consortium and of the International Development Association, an affiliate of the I.B.R.D. Representatives of Austria, Denmark, Norway, Sweden and the International Monetary Fund were present as observers. In 1962, Belgium, Italy and the Netherlands also took part in meetings of the consortium.

The following data show the distribution of aid to India ($ 2,365 million) through the consortium in 1961/62 and 1962/63: [122]

	Million dollars	Per cent
United States	980	41.5
West Germany	364	15.4
Britain	266	11.1
Japan	105	4.5
Canada	61	2.6
France	60	2.5
Italy	53	2.2
Belgium	10	0.4
Netherlands	11	0.5
Austria	5	0.2
I.B.R.D	450	19.1

For 1963/64 the appropriations by the consortium of ten countries and the I.B.R.D. amounted to $915 million, and for 1964/65 to $1,280 million. Thus, the total sum of appropriations promised India for the first four years of the Third Plan exceeded $4,500 million. India has requested that the loans should not be linked with definite projects so that appropriations could be utilised for the

[121] *External Assistance 1961*, p. 71.

[122] *New York Times*, June 3, 1961; *AICC Economic Review*, June 11, 1961; *External Assistance 1962*, pp. 77-78; *Far Eastern Economic Review*, June 23, 1963; *Washington Post*, May 27, 1964.

maintenance of imports and the consolidation of the economy regardless of the building of a particular project.

The United States has succeeded in enlisting another nine countries to finance construction under the Third Plan. These countries assumed almost 40 per cent of the loans.

Commenting on the first decision of the Aid India Club the I.B.R.D. pointed out in its press release: "The Consortium was encouraged by the economic progress made by India during the Second Five-Year Plan and recognised the importance of maintaining the momentum of India's development. It considered that, in relation to India's needs, the broad objectives of the Third Five-Year Plan (1961-1966) were reasonable, that the Plan itself was well-conceived and that India had demonstrated a capacity to make effective use of foreign aid." [123]

Thus, the advent to power of the Kennedy Administration was marked by the consolidation of the West's forces under the leadership of the United States and the organisation of collective financing with the object of increasing the dependence of India's economic plans on the West.

In addition to the political danger inherent in this situation, India's economic losses are obvious: buying American goods and equipment, she must greatly overpay, owing to the high prices in the American market, and accept all the "traditional" terms of American loans (high interest rate, redemption in foreign currency, high freight rates and the channelling of investments mainly into the infrastructure).

The greater interest shown by the United States in India's Third Plan has a definite reason. It is motivated by the desire of India's ruling circles to achieve economic independence and popular backing for this policy. It is prompted by the tremendous part which the assistance of the Soviet Union and the entire socialist community plays in India's industrialisation.

India has won political independence. All national, patriotic social groups and classes admit the need for reinforcing political sovereignty by attaining economic freedom. There is less and less of a general discussion about economic independence — whether it is needed or not, etc. The time of struggle on this general problem is over. India's development has shifted the issue to the realm of the government's economic policy, long-term development programmes, methods of their fulfilment and their financing. It is around these concrete plans that an ideological and political battle between different classes and parties is being fought.

Assessing the positive aspects of the general national struggle for India's economic independence one should bear in mind that more than ten years of building the national economy have already

[123] *AICC Economic Review*, April 22, 1961.

passed. The people's initial lack of confidence in their strength is vanishing. The feasibility of big economic and cultural development projects is no longer doubted, and some of them have already been successfully carried out.

The non-alignment policy has fully justified itself, and so has that of developing political and economic relations with the socialist countries. The Indian people have learned that far-reaching plans for national economic development have been possible only thanks to large-scale assistance by the Soviet Union and the other socialist countries.

This assistance has compelled the West to render greater aid to India. It is perhaps this impact of Soviet assistance that has made it possible to plan long-term economic development programmes and to attract from abroad up to 30 per cent of the funds needed for their accomplishment. This is one of the major aspects of India's cooperation with the U.S.S.R. and the other socialist countries.

India's close cooperation with the Soviet Union is based not on complete identity of political views on all international issues or ideological unity. The two countries have no illusions on this score. The objective basis of their cooperation is their joint struggle against imperialism and colonialism, for consolidating the political sovereignty and the achievement of economic independence by the newly-free countries, for peace, disarmament and social progress.

The exploiting tendencies in the imperialist aid policy of the United States stand out in bold relief against the background of the disinterested economic cooperation between the Soviet Union and India. Soviet cooperation with the Eastern peoples over many years has demonstrated to the latter that in the U.S.S.R. there are no classes, social groups, economic organisations or individuals seeking to obtain political or economic privileges or high profits at the expense of the developing countries. The Soviet Union has never been interested in exploitation of the natural resources and labour of these peoples. This is deeply alien to its socialist nature, the entire way of life of the Soviet people, to their internationalism, ideology and humane aspirations.

The fact that India has turned to the Soviet Union for assistance in economic construction is of tremendous significance in the system of international relations. It reveals the objective need for the newly-independent countries to orient themselves on cooperation with the socialist countries in working for economic independence. It likewise demonstrates the need for close cooperation between the socialist countries and the young national states in their struggle against imperialism and colonialism.

The successful struggle of the Indian people for economic independence, supported by the socialist states, is compelling the American monopolists to modify their attitude to India's industrial development plans. The need to revise American policy in this field

is becoming all the clearer to its makers as the economic progress of the U.S.S.R. opens up fresh possibilities for Soviet cooperation with the developing countries.

The people of India and other less developed countries regard cooperation with the Soviet Union and the entire socialist community as an important factor promoting their advance. The scientific, technological, economic and cultural achievements of the socialist countries and the pending economic superiority of the world socialist system over the capitalist make current and future economic cooperation between the socialist countries and the young national states all the more crucial. This cooperation is opening up prospects which it is hard to foresee in all their details now that scores of progressive national democratic and socialist states are pooling their efforts to rid themselves of backwardness, poverty, starvation, disease and high mortality in all countries which for decades and centuries have languished under foreign oppression. This era, the era of transition of the developing national-democratic states to the non-capitalist road, has already begun, and there are no reasons for thinking that the Indian people will lack the strength to take a real turn to socialism. These progressive forces are maturing and gaining in strength.

* * *

If a country has a government of its own it does not yet mean that it is independent—although to be independent a country must have a genuinely national, sovereign government.

In the world today there are regimes and governments in the less developed, formally independent countries, which in reality depend on foreign monopolies politically and economically. The degree of political and economic independence of various less developed states differs, and this is well appreciated by the American imperialists.

The strategic aim of the United States as regards India, the way it was formulated by the American politicians during the Second World War and for a long time after it had ended, was to bring India into Washington's orbit. In pursuing this aim they proceeded from the concept that the politically most active part of the population, the national bourgeoisie, was extremely heterogeneous in national composition, origin, religious ideology, castes, and links with landownership. Moreover, it consisted chiefly of petty and middle capitalists who could easily be made dependent by utilising their weakness and mutual contradictions. The big bourgeoisie was supposed to seek American patronage and to derive benefit from it. But the expectation that the Indian national bourgeoisie as a whole immediately after the attainment of independence would become a junior partner of American imperialism did not materialise.

This was prevented by the Indian people, the national-liberation movement the world over, the tangible economic assistance given India by the socialist states and the altered world balance of forces in favour of peace and socialism. Lastly, the Indian bourgeoisie which managed to get to power was not interested in becoming Washington's junior partner. At that time, and to a certain extent now too, the monopoly group did not play a dominating role in the country. The national bourgeoisie as a whole, and the middle and petty bourgeoisie in particular, preserved its anti-imperialist, national-patriotic potentialities. But its duality and vacillation on many important home and foreign issues remain and are now on the increase — a weakness which is exploited in every way by American politicians.

India's ruling circles realise that it would be impossible to reconstruct the country's economy, to win economic independence and resist American neo-colonialism without establishing close cooperation and friendly relations with the socialist countries. The Indian national bourgeoisie had to develop extensive friendly relations with the socialist countries because such relations make it stronger in dealing with the imperialist powers. Cooperation with the socialist community weakens the internal reactionary forces, to a certain extent restrains the vacillation of the petty and middle bourgeoisie, and stimulates measures which, although limited in scope, are democratic in their social essence.

Taking into account the relationship of forces within the country, the magnetic power of socialism and the desire of the people radically to improve their condition and extend democracy, India's ruling party has had to proclaim that its economic home policy would be socialist in character. At the same time the Indian national bourgeoisie naturally does not want the socialist community to defeat capitalism, seeing in this a potential threat to its rule.

The policy of positive neutrality, non-participation in imperialist blocs, struggle (with greater or lesser consistency) against colonialism, and economic cooperation with the socialist community are playing a profoundly progressive role in today's international affairs. But the application of such a policy in India has been accompanied by obtaining big aid from the imperialist powers, by the growth of the monopoly bourgeoisie and the reactionary forces, intensification of anti-communism and numerous concessions in home and foreign policy on seemingly secondary but at times vital matters.

This contradictory position of the national bourgeoisie objectively leads to obvious failures. The biggest flaw of this policy is that it gives the internal reactionary forces, the foreign monopolies and the imperialist powers standing behind them greater opportunities for pressuring the government machine and the country's socio-political life. India's progressive forces support the positive

features in the policy of the national bourgeoisie and that is why elements of a national, anti-imperialist front have to some extent been preserved.

The policy of the Indian bourgeoisie is also influenced by factors like the growing strength of the world socialist system and the growing political awareness of the Indian working people. In this respect there are two tendencies among the national bourgeoisie: upholding economic and political independence in struggle against imperialism; searching for compromise with foreign capital and the imperialist powers so as to obtain their aid.

The second tendency is always present alongside the first and often is represented by one and the same social section of the national bourgeoisie and even one and the same political party. While the people support the first tendency, the second is backed by big capital and by pro-Western bourgeois intellectuals, feudal reactionaries and compradores associated with it. Conservative and moderate groups of the middle sections of the national bourgeoisie lean towards big capital at different times for different reasons and in different degrees.

The national bourgeoisie has no intention of abandoning its main aim—industrialisation along capitalist lines, in conditions of political sovereignty. This is fully demonstrated by the Third Plan.

But the fundamental differences in the class outlook of the national bourgeoisie and the working people concerning ways of development are becoming ever more sharply defined; they grow more acute, and struggle between them is mounting. Contradictions on the same issue are not slackening between various sections of the national bourgeoisie itself either. It is subjected to a deeper internal differentiation and the organisational shaping of different groups; separate platforms are elaborated which more specifically represent the interests of the various sections of the national bourgeoisie and the landowners.

This is how the Swatantra Party has been formed by the extreme reactionary forces. This party stands in opposition to the Indian National Congress from the Right, and it is a serious political menace for the country's working people.

Swatantra operates in close collaboration with reactionary religious communal parties. Through Swatantra the imperialist forces are exerting pressure on the National Congress and the government in an effort to shift them to the Right. It is not only such openly reactionary parties as Swatantra, Jan Sangh and the Praja Socialist Party that act along these lines. Within the Indian National Congress itself there are influential groups which are impelling the party to make concessions to foreign and local monopoly capital. Representatives of these groups hold leading positions both in the government and in the National Congress.

Right-wing elements of the national bourgeoisie and the landowners have long been rooted in the National Congress and the government. They were particularly strong in the legislative assemblies and the National Congress organisations of some states (Uttar Pradesh, Madras, Orissa, Bombay and others). The new factor in the situation is that the Right-wing forces have drawn up their own political platform and have publicly come out as an independent political party which opposes the National Congress and proclaims itself an irreconcilable foe of the progressive and democratic forces.

There is a growing gap today between the verbal promises of the National Congress and the actual improvement in the social status and living conditions of the people. The capitalist road of development has not brought the ordinary people any serious improvement of their lot. The problem of extreme poverty in some large areas, not to speak of the country's general poverty, [124] has not been solved in the more than 15 years of independence; nor could it be solved along capitalist lines. The gap between the living standards of the people and the bourgeois-landowner upper crust is widening. Naturally, disappointment and dissatisfaction are widespread among the ordinary people: "Inevitably, a sense of frustration is growing all over the country. There is a lack of interest in the plans whose main burden falls on the poor and the main fruits are garnered by the rich. New promises and new assurances, as held out in the Third Plan, fail to rouse any enthusiasm. There is widespread and sullen discontent. Many people are losing faith in the future and the effectiveness of democratic institutions." [125]

Reactionary political parties and groups are trying to utilise this dissatisfaction in their own anti-national ends. This holds true of the Swatantra Party. Its formation does not imply a final division of the national bourgeoisie into two groups—anti-imperialist and pro-imperialist. Such a division is not precluded and its possibilities are greater now, but it is not likely for a while yet. The formation of the Swatantra Party signifies another step in consolidating, within the ruling class, of the Right-wing reactionary forces inclined to compromise with imperialism.

Swatantra's emergence is naturally not merely a result of factional wrangles within the National Congress, although it is known that many Right-wing elements in the Congress, without leaving it organisationally, are rallied round Swatantra ideologically. The birth of the party attests to a greater tendency to compromise with imperialism among certain elements of the national bourgeoisie and the blunting of its anti-colonialist sentiment. Until recently India had no strong all-India bourgeois party except the National Congress;

[124] *Tribune*, October 22, 1962.
[125] *Election Manifesto 1962. Communist Party of India*, New Delhi, 1961, pp. 12-13.

now it has appeared on the scene and, moreover, as an out-and-out reactionary organisation.

It is not by accident that voices resound in the United States that American interests in India must not be associated solely with the National Congress, that other parties which could be useful for U.S. policy (meaning Swatantra, first and foremost) must not be ignored.

The main planks in the Swatantra platform reflect the traditional principles of Indian big business and the privileged upper crust. In industrial construction it strives "to create the conditions in which individual initiative will thrive and be fruitful" and it "stands for the restriction of state enterprise to heavy industry". [126]

C. Rajagopalachari, Swatantra leader, points out in a policy statement on the party's philosophy that it proceeds from the principle that the encouragement of private enterprise and personal interests is a more correct way to achieve social justice and general welfare than state ownership and government control. [127]

Swatantra demands that industry be almost completely handed over to the private sector, with the latter dictating to the state the policy of economic development. [128]

The essence of Swatantra's economic demands is to oppose the state sector by setting up a strong private capitalist sector ultimately capable of subordinating the state sector and ensuring the transfer of key industries to the Indian monopolies. These demands fully coincide with the policy of the foreign monopolies.

K. D. Malaviya, progressive leader in the National Congress and former government minister, together with six other members of Parliament, wrote in an open letter to Rajagopalachari that the latter knew nothing about the living conditions of 80 per cent of the people; Swatantra existed not for them, but to make the rich richer. Should Swatantra come to power, the country would revert to feudalism and turn over all key industries to a few persons. [129] In its manifesto published for the 1962 elections, Swatantra came out as a confirmed foe of nationalisation, the state sector, the principle of state economic control and planning, and also of India's industrialisation through the priority development of heavy industry.

In its election manifesto the party considered the outlays for building a large state industry a waste on "spectacular and gigantic projects unrelated to the immediate needs of the people". The manifesto contained, among others, the following points:

"to stimulate small-scale modernised industries so as to ensure greater employment in the country";

[126] *Hindu*, August 2, 1959.
[127] *Swaraj*, July 25, 1959.
[128] *Hindustan Standard*, March 31, 1960.
[129] *Daily Times*, April 24, 1960.

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"to ensure the widest possible distribution of industrial ownership through measures such as the establishment of investment societies and trusts through which the small man may make his modest investment, and by facilitating the provision of employees' shares so that a large body of employees may share in the ownership of the concern for which they work";

"to encourage the spirit of industry as distinguished from what is called industrialisation";

to encourage private enterprise "activated where necessary by loans and aid";

to reject the existing pattern of centralised planning;

to support "the flow of foreign capital into private enterprises in India which would contribute to rapid industrial progress";

to rectify "the unfavourable impression created in the world that India has a bias in favour of the communist bloc". [130]

Such is the programme of surrender formulated by the Swatantra on the main questions of home policy. It could be put in a nutshell as follows: renunciation of the industrialisation policy in the state sector as the foundation of India's economic independence, and the granting of unlimited freedom to private local and foreign capital. If we recall the statements of Chester Bowles we will notice the identity of positions held by the U. S. Ambassador to India and an Indian party which calls itself "independent".

Speaking about the social character and aims of Swatantra, Nehru said it was a motley group united to oppose planning and all the changes taking place in India. This group includes the former rajahs, maharajahs, zamindars, taluqdars, factory owners and the like. Swatantra expresses the interests of big capital whose representatives would fight to the last against all change and progress in India. [131] This is a well-put statement of principle and one can fully agree with the assessment of Swatantra as a reactionary party which will fight tooth and nail against social progress.

In the sphere of foreign policy the demands of Swatantra at first were rather vague and camouflaged but before long they took clear shape. Rajagopalachari said that it was first of all necessary to reach agreement with Pakistan concerning joint defence. [132]

India's present non-alignment policy does not suit Swatantra. The party calls for joining military-political blocs. It expects that conclusion of a military alliance with Pakistan would draw India into the cold war, tie her to the military commitments assumed by Pakistan and thereby gradually bring India into CENTO and SEATO. Rajagopalachari and his supporters assert that India's adherence to the non-alignment policy has turned into an absurdity.

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[130] *1962 General Elections in India*, New Delhi, 1962, pp. 156-164.
[131] *Statesman*, February 11, 1962.
[132] *Hindu Weekly Review*, January 2, 1961.

Swatantra thus wants India to renounce neutrality, to become a bulwark of world capitalism in Asia and a base of anti-communism by joining pro-American blocs and accepting extensive U. S. military aid.

The ideological and political kinship of the Swatantra programme with the plans of American neo-colonialism can easily be demonstrated.

Nationalisation of big property of local and foreign capital is one of the most fundamental and acute issues of the class struggle in India today. In question actually is the balance of forces between the state sector and the private sector both at present and in future. Experience in developing the economically backward countries shows that the question of nationalisation, the extent to which it embraces a country's industrial potential, its banking, foreign exchange, foreign trade, transport and power systems, is ultimately a question of the social way of development. To be more exact, the issue is whether the state has objective, material prerequisites for future non-capitalist development or the economy is in the grip of national private capitalism which is developing with the help—and at times under the direct or indirect control—of foreign capital.

The issue has become very acute recently and is animatedly debated both in India and abroad. Noteworthy in this respect is the energetic activity of Chester Bowles, highly-placed American politician and economist, who for the second time has been accredited as U. S. Ambassador to India.

We shall not engage in a critical analysis of his writings. He is a prolific author whose numerous works deal with diverse problems. All of them have one, very definite slant, namely defence of free enterprise which is supposedly distinguished by a balance between the economic pattern and social justice.

The keynote of many of the works of this diplomat who takes an interest in economics is the character of India's socio-economic development.

In almost every book, article and lecture Mr. Bowles naturally treats the economic policy of the government, the problem of nationalisation of private capital and the relationship between the state and the private sectors of the economy. He regards these questions from the standpoint of "enlightened" American neo-colonialism which is very flexible and is skilfully camouflaged. He is representative of the new school of postwar American neo-colonialist politicians.

Chester Bowles knows well what should be done to reinforce capitalism in the former colonies; he has often criticised die-hard politicians in the U. S. Government, the Pentagon and the State Department and even Eisenhower and Kennedy for the clumsy and inept work of Americans among the developing nations of Asia, Africa and Latin America.

In December 1963, Mr. Bowles read a number of lectures at the University of Delhi on important questions concerning India's economic policy. He frequently delivers lectures which in a certain sense are intended as precepts for the government of the country to which he is accredited. The lectures have been issued in the form of a pamphlet entitled *The Makings of a Just Society*, [133] and one of them, "Industrial Growth with Social Justice", was printed in the *Eastern Economist*, [134] journal of the Birla concern. Let us see what they are like.

After the relatively successful fulfilment of the two five-year plans by which India made big steps towards industrialisation and after the state sector, the hope of the Indian people, had gained in strength, the U. S. Ambassador saw fit to offer sharply negative appraisals and conclusions concerning the state enterprise promoted by the Indian Government. Stating that "in a developing nation there are practical limits to the share of the industrial load that the government can effectively carry", [135] Mr. Bowles displayed great concern lest the Indian Government overstrain itself in building too large a state industry. He suggests it would be better to limit itself to the most important enterprises which it is unprofitable for private capital to finance except at the expense of the state. This is an old tune, well familiar in India. It is the neo-colonialist theory of the traditional division of functions between the state and private capital: the first should build communications, the power system and schools; the second should build industry and gain economic power. The state thus becomes a servant of private capital. All this is covered up by high-sounding phrases about social justice. True, Mr. Bowles calls this situation, so advantageous for private capital, a "realistic balance between government planning and government investment in the essential infrastructure, on the one hand, and a fast growing, socially responsible private sector on the other". [136]

To create this "realistic balance", Bowles recommends utilising the experience of the "pragmatic Germans" who "have gone one step further: whenever private interests appear able and willing to manage government-owned enterprise in the public interest they may buy it at a fair price from the government". [137]

It is difficult to imagine a franker programme of surrender to big Indian and foreign enterprise than the one suggested by Mr. Bowles. He believes in the power of Indian big business and its reactionary allies which should create "a realistic balance" between the state and the private sector needed for the complete victory of

[133] Chester Bowles, *The Makings of a Just Society*, New Delhi, 1963.
[134] *Eastern Economist Annual Number 1964*, New Delhi, December 27, 1963.
[135] Chester Bowles, *The Makings of a Just Society*, p. 74.
[136] *Ibid.*, p. 93.
[137] *Ibid.*, p. 79.

capitalism. Bowles urges India and the other developing countries to adopt "democratic socialism" which, in his opinion, prevails in Britain and Sweden. The "balance" recommended by Bowles has been regularly upset in favour of American and Indian big capital, and this made it inconvenient for the U. S. Ambassador to urge Indians to take the "welfare society" in the United States as their model. If the worst comes to the worst he is willing to have the Indians follow the example of other capitalist countries which, he claims, are socialist. In an attempt to shape the economic pattern of Indian and the other developing countries Mr. Bowles says that Britain and Sweden, "having lost their doctrinal concern over private enterprise... have learned to encourage it, to give it scope, while moulding it to the national objectives. In so doing I believe they have pointed the way for developing nations of Asia, Africa and Latin America...." [138]

Mr. Bowles has long been a booster of "enlightened" American neo-colonialism. His Delhi lectures and numerous other pronouncements are attempts to justify ideologically the need for, and advisability of, surrendering the state sector to private capital. He openly urges India to take the capitalist road and, moreover, to sell state enterprises and banish all thought of nationalising big private capital. Bowles is acting as a purveyor of ideas for Indian reaction, specifically for the U. S.-supported Swatantra Party.

Turning to questions of foreign policy, it must be said that renunciation of neutrality, or of the non-alignment policy, is a basic aim of the Indian reactionaries and, naturally, of Swatantra. This aim is, of course, in line with the neo-colonialist strategy of the United States. Its real objectives in India are gradually to make the national bourgeoisie its ally, discredit the policy of non-alignment, slowly swerving the ruling circles from this time-tested course.

Following the Sino-Indian border conflict, American propaganda, especially in Asia, has been trying to prove that India has already renounced her neutrality policy. This propaganda seeks to discredit the principles of non-alignment among the Asian peoples. It is indicative that the selfsame Chester Bowles, referring to the military aid received by the Indian Government from the United States, Britain and other countries in connection with border clashes in 1962, asserted that India supposedly no longer pursued a neutralist policy and did not adhere to the principle of non-alignment.

The arms received from the Western powers by way of military aid after 1962 naturally did not reinforce India's non-alignment policy and her prestige among countries of the Third World. But when American propaganda deliberately circulates detailed information about Western military aid to India this is done primarily to discredit India as a neutral country, to prove that she has fully

[138] *Ibid.*, p. 95.

adopted a pro-Western foreign policy, is cooperating with the Western powers to achieve their strategic aims in Asia, particularly in Southeast Asia, and thus, as it were, has become a participant of a pro-Western military political bloc. American propaganda is eager to present their desire as reality. In the meantime Indian reactionary circles, including the Swatantra and Jan Sangh parties which are closely associated with the U. S. Information Service, are doing everything to swerve India from the road of neutrality and compel her, through military and economic aid, to enter into a military and political alliance with the Western powers. The imperialist agents in India concentrate efforts on utilising the Sino-Indian border conflicts and, relying on the internal pro-Western reactionary forces, seek to erode and paralyse the active anti-imperialist and anti-war element in India's non-alignment policy and then cast this policy overboard at the first opportunity.

The reactionary and conservative forces within the Indian National Congress have always been inclined to support American neocolonialism. These forces, far from combating the grip of foreign capital in some key branches of India's economy, have constantly sought to restrain the political initiative of Nehru and his close associates both in home and foreign policy. That essentially was one of the main aims of the Right wing of the Indian National Congress. The Right-wing forces also tried to disavow the non-alignment policy. They want to force the Indian Government to rely, on sea and in the air, on American military strength which controls the Pacific region and is penetrating the Indian Ocean.

The peace forces in and outside India are deeply interested in her observance of the policy of neutrality and non-alignment and the maintenance of good-neighbourly relations with all states, and particularly with her great neighbours—the Soviet Union and the Chinese People's Republic. The geographical and strategic position of India, the Chinese People's Republic and the U.S.S.R., the long struggle for independence, against imperialism and colonialism, against reaction and for social progress call for mutual confidence of these three states, between whom there are no political or territorial problems insoluble by peaceful means. Only the imperialists are interested in fomenting a quarrel between them.

The Soviet Union has repeatedly demonstrated its respect for India's policy of neutrality which it has always appreciated and considered an important factor for the preservation of peace in Asia and the world.

The non-alignment policy does not imply indifference to issues of war, peace and colonialism. Its essence is struggle against the forces of imperialism, war and colonialism. It consists in the practical implementation of the policy of peaceful coexistence of different states through non-alignment. The obligation of any country adhering to the non-alignment policy is to see that the territory of this country is not utilised as a base or route for attack on another country. If such bases have remained as an aftermath of colonialism, they should be closed as swiftly as possible. The legal form of classical neutrality is not the only thing that matters in present-day neutralism of the developing countries, although it is of importance. The main thing is to achieve mutual confidence in foreign relations, based on anti-imperialism, anti-colonialism and consistent work for peace and the security of all nations.

The emergence of Swatantra and its programme show that although India has no forces capable of stemming its progressive development, there are elements capable of retarding this process. These forces have become more active and are openly attacking the home and foreign policy of the National Congress and the Indian Government. While the forces of reaction have done everything to swerve the policy of the ruling circles to the right, the progressive democratic forces headed by the Communist Party of India are working for a leftward shift of this policy. The Communist Party pointed out in its election manifesto: "Either such a shift to the left is brought about or the right reaction turns the wheel back. There is no third alternative". [139]

Evidently, such a shift to the left should guarantee the building of an efficient economic system which would be marked by diminishing ties of the state with Indian big business and the monopolies and by increasing ties with the working people and their organisations. This could be achieved only by altering considerably the very pattern of the economy and, first of all, the mechanism of capital accumulation. It would be imprudent to think that this could be achieved solely as a result of the working people winning power.

The thing is to elaborate and implement an economic policy, a system of state measures which, while recognising that capitalism is the leading economic system in a country dominated by the bourgeoisie, would stem from internal requirements on a strictly national basis and would be applied more democratically.

Practically, this means that changes in the mechanism of capital accumulation should pursue the fully feasible aim of shifting the growing accumulations from the private sector to the state sector through substantial changes in the system of ownership and taxation. Nationalisation of foreign and big local capital, on the one hand, and a resolute turn from indirect taxation of the people as the hub of the tax policy to bigger and stricter direct taxation of the incomes of the propertied classes, above all the big capitalists and landowners, on the other, are capable of bringing about a serious change in class relations in India where the capitalist system has not yet been generally entrenched.

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[139] *Election Manifesto. Communist Party of India*, p. 33.

This in general terms is the economic essence of the struggle for a leftward shift and against internal reaction, which is linked with struggle against neo-colonialism, American especially.

The Communist Party of India notes with satisfaction that the industrial basis of the country and its economy as a whole have become much stronger in recent years. Alongside the building and commissioning of large power and irrigation projects, priority development of the manufacturing and extractive industries has been ensured, transport has made advances and the state sector has gained in strength. The Indian Government, beating back the onslaught of internal reactionaries and foreign monopolists, has consolidated the state sector; this has been greatly facilitated by cooperation with the Soviet Union and the other socialist countries.

At the same time the Communist Party holds that economic development during the first two five-year plans was unstable and slow, as a result of which per capita income remains among the lowest in the capitalist world. Between 1950/51 and 1960/61 it rose from Rs. 284 to 330 (in 1960/61 prices), or approximately 16 per cent.[140] The annual per capita growth of income (1.58 per cent annually) did not reach even the minimal aims set in the official programmes of the ruling party. The well-grounded dissatisfaction of the people is making the class struggle keener. The ruling circles are seeking to paralyse it by every means, from propaganda of the ideas of so-called democratic socialism to open suppression of popular dissatisfaction.

The people see that the big capitalists are getting richer, that private industrial empires are being created; that whatever land reforms are carried out, they have brought almost no benefit to the bulk of the peasants, and that the working class is refused a sufficient rise in wages to compensate the mounting cost of living. A tremendous growth in the wealth and power of big business has become the most marked feature of Indian economic life; corruption "has come to pervade our (Indian.—*R. U.*) whole economic, political and social life... at all levels and in every sphere".[141]

The Communist Party of India rightly tells the people that the British monopolists who, although they are no longer the political masters of the country, still hold strong positions in her economy, have been "joined by American monopolists, the worst international exploiters".[142] The Communist Party calls for a ban of further investment of the capital of foreign monopolies in India, for ousting the foreign monopolies from the economy, removing foreign trade from the hands of foreign concerns and banks and turning it over completely to the state, for abrogating unfair oil concessions

[140] *Reserve Bank of India Bulletin*, September 1961, p. 1389.
[141] *Election Manifesto. Communist Party of India*, p. 8.
[142] *Ibid.*, p. 4.

granted to foreign monopolies and drastically restricting the profits of the foreign concerns and the sums they transfer abroad.

The Communist Party of India advocates protection of the state sector from any influence of big capital, nationalisation of the banks and insurance companies, the metallurgical, coal mining, oil, sugar, and jute industries and the tea plantations under foreign control. It considers it necessary to increase taxation of big capital, confiscate the more than Rs. 10,000 million of gold held by the monopolies and profiteers, establish a profit ceiling for private capitalists and maximum salaries for managerial personnel of private enterprises.

Implementation of this programme would break the grip of big capital on the country's economy and policy and strike telling blows at American neo-colonialism in India.

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Before concluding this chapter, we would like to draw attention to some statements which are widespread among Indian intellectuals and are often found in the press. Here is one of them.

Mr. Sadiq Ali, a moderately liberal leader of the Indian National Congress and former chief editor of its theoretical journal *AICC Economic Review*, commented on the decision taken by the Aid India Club as regards financing the Third Plan. This article, "New Thinking on Foreign Aid" (June 22, 1961), would not merit special attention were the author's comments not typical of his circle and were they not fraught with dangerous illusions. Mr. Ali thinks that "there is greater willingness among our friends in the world to help us so that we can successfully overcome the difficulties that still surround us".[143] The author is not unaware of the difference in the approach to rendering assistance to India by the socialist countries and the imperialist powers. He sees this difference, but unfortunately glosses over its fundamental significance by phrases about the equal value and acceptability of both kinds of aid. Moreover, in his opinion the aid which the imperialist powers give is meant "to strengthen democratic institutions in India". He writes: "A powerful factor in the case of the U. S. A. and other democratic countries is, and they have made no secret of it, that through the aid they give, they wish to make sure that democracy is stabilised in areas where owing to deep and widespread poverty it is vulnerable to attack from quarters unsympathetic to the democratic cause. We, in India, can have no wish to quarrel with this motive for help because we are ourselves great and ardent believers in democracy and wish to see it strong here and elsewhere."

[143] *AICC Economic Review*, June 22, 1961.

As regards the reasons for Soviet assistance to India, Mr. Sadiq Ali rightly holds that help from the U.S.S.R. "is inspired by the desire to assist a friendly country seriously engaged in the task of raising the condition of the downtrodden and wishing to play a peaceful, conciliatory and progressive role in world affairs".[144] While acknowledging that aid from the U.S.S.R. cannot imperil India's independence or democratic institutions, Mr. Sadiq Ali obviously does not recognise that the tenor of Soviet assistance promotes these democratic institutions. Yet it is well known that the Soviet Union is sincerely helping independent India and her great people regardless of her governmental institutions. If building metallurgical, engineering, oil and other key industries in the state sector means to lay the material foundations of India's national economy, anyone wishing to be objective must admit that it is the assistance of the socialist countries that is genuinely democratic in its motives, terms, aims and forms.

It is a fact that Soviet assistance is given to countries with the most diverse state systems. It is received by royal Afghanistan and Ethiopia and by republican India and Ghana. Soviet assistance is always based on profound respect for national aims and distinctions in all spheres of the less developed countries. No leaders of the Soviet Union and its Communist Party or its economic executives have ever meddled in the functioning of the "democratic" or "undemocratic" institutions of another country or intervened in its policy. On the other hand, numerous opposite instances associated with the activities of representatives of the United States, Britain, West Germany or the International Bank for Reconstruction and Development in India are generally known.

Mr. Sadiq Ali is at liberty not to notice that the understanding of democracy among the imperialist politicians of the United States, West Germany and Britain differs substantially from the understanding of this concept by the Indian public. For the imperialists democracy is a system designated to safeguard the interests of the big monopoly bourgeoisie. In all these countries the property rights of the people are flagrantly violated. Their ruling circles are upholding colonialism, they zealously advocated the preservation of its remnants in India (remember Goa, Daman and Diu) and branded India as "aggressor" for expelling the Portuguese colonialists.

These imperialist states have a colour bar and racial discrimination (discrimination against "coloured people" in the United States, immigration laws in Britain directed against Indians among others, etc.). History shows that the former colonialists cannot be well disposed towards, and unselfishly help in, consolidating and developing democracy in newly-free states. This is understood

[144] *Ibid.*

by any politically conscious Indian patriot. But an ordinary citizen of India cannot always clearly see that each step, each political or economic measure of the American imperialists in India, as in the other less developed countries, is considered by them above all from the angle whether it is directed against the forces of democracy, independence, national progress and socialism, whether it is of benefit to themselves or not. This explains the certain spread of mistaken views about the true significance of American aid.

It is hardly possible that Indian economists and politicians do not understand that the imperialists who for centuries oppressed India and are exploiting her resources to this day are merely posing as her friends. Of course, one can claim that aid received from the consortium of imperialist powers is given to strengthen democracy. This evidently is done to conceal or at least disguise the neo-colonialist nature of aid by imperialist powers. But it is impossible not to see that the imperialist aid is designed not to strengthen genuine democracy but to prevent India's transition to the non-capitalist road, to forestall her withdrawal from the world capitalist economy, to harness her weak economy to the imperialist market, to support and nurture the monopoly circles of the local bourgeoisie—in brief, to continue exploiting India by "democratic" methods. Nehru always understood this well.

The practices of imperialist aid fully demonstrate that a less developed, politically independent country can be the object of economic exploitation. Such aid is becoming particularly dangerous if foreign capital has preserved or extended its investment in an aid-receiving country, if its ruling circles do not undertake to wrest the economy from the grip of foreign capital and if they allow it to continue its activities more or less unhindered. The imperialist powers, parading their "democratic" reasons for assistance, seek to find and extend a mainstay for their policy in India, to win over to their side some circles of the national bourgeoisie, turn them into allies and utilise so-called aid ultimately against the fundamental interests of independent India. It is bad when camouflaged danger is not noticed; it is worse when clear danger is not seen and it is far, far worse when people simply refuse to see the danger.

For 15 years the U.S. ruling circles have been trying to make India accept American aid predicated on her joining military-political blocs, renouncing neutrality, and participating in the cold war against the socialist countries. So far this policy has not produced results, but this hardly offers grounds for overlooking it at present. There is even less ground for identifying this policy with strengthening the "democratic institutions" of India.

It is a fact that in countries neighbouring on India—Pakistan, Thailand and South Viet-Nam—American aid has not created a prospering economy and has blighted their democratic development.

There is no need to describe in detail how it is done. Aid supposedly designated for strengthening democratic institutions ultimately leads to their weakening or abolition the moment the aid recipient loses the ability to see, and react to, its dangerous aspects. All forms of imperialist aid—technical, economic, military, mutual security treaties, cultural exchange, personnel training, tariff and trade policy, philanthropic foundations—to a differing degree bear the stamp of reactionary, imperialist policy and are aimed at increasing to the utmost the dependence of the aid-receiving country. Behind all this stands the concealed but persistent foisting on India of the Western way—supposedly the only historically possible and suitable democratic way of development for her.

It would be an over-simplification to think that the size of aid by the imperialist powers or the scale of foreign investment in a less developed country exactly reflects the degree of influence of one or another imperialist power. If that were the case it would not be difficult to recognise and eliminate the influence of the chief enemies of the independent development of the Asian, African and Latin American countries. In reality the situation is much more complicated. In many Asian countries direct forms of rule by Western finance capital have given way to indirect forms which have at least one specific feature—they are creating among the ruling circles and, through them, among the intellectuals and the common people, the illusion of mutual assistance and reconciliation between the colonialists and their former victims. The mechanism of imperialist aid is too involved for the common people to be able swiftly to divine its true designation. At the same time it is sufficiently flexible for accumulating, slowly but surely, the elements of political control and pressure by a big imperialist power on a less developed country.

It is a fact that in the postwar period many countries which had attained state sovereignty actually regressed, under the pressure of imperialist aid, to the position of dependencies.

The experience of India graphically shows that foreign private enterprise, even if it is restricted by national legislation, penetrates the economy and exerts an influence on the policy of a developing country for selfish ends. The loan policy of the United States with regard to India, alongside the greater exports of state capital and extraction of high profits, has been constantly aimed at obtaining guarantees against the nationalisation of the foreign monopolies' property, recognising the right to unlimited export of profits, complete repatriation of capital and the granting of tax privileges. All these are different forms of pressure on the foreign and home economic policy of India. Imperialist aid by the United States and its European partners in the Aid India Club is by no means becoming less dangerous because the imperialist powers have to

consider India's neutrality in world politics or because they are aware of the mounting public protest against American neo-colonialism. Perhaps it is these curcumstances that dictate the need for greater vigilance with regard to imperialist aid. The change of forms and methods of neo-colonialist policy—at times the attitude to it of Indian leaders is insufficiently critical—reflects the desire of the imperialist states to enter into broader systematic contacts with neutral governments in a number of Asian countries with the object of undermining their policy of neutrality from within. In so doing the imperialists are relying on local big capital without, however, severing their old ties with the feudal, semi-feudal and compradore elements.

It is of interest to see what U.S. politicians and economists think of the role and importance of economic aid to India and how their views tally with the ideas of Mr. Sadiq Ali. India's public opinion is well familiar with the name of Eugene Black, former I.B.R.D. President, who has repeatedly denounced India's "ambitious" industrialisation plans. Discussing the aims of foreign aid, Black said: "I have suggested that economic aid should be the principal means by which the West maintains its political and economic dynamic in the underdeveloped world."[145] According to Black, "economic aid, after all, does not just subsidise people, it influences events".[146] Black's chief aim is to prevent the spread of progressive social ideas in the developing countries, to isolate them from the socialist world, and to encourage in every way the development of capitalism and the institutions of the bourgeois capitalist state there.

The basic features of imperialist aid policy cannot be changed by recommendations of the specialists and advisers from Washington or London. These recommendations mean merely adapting the imperialist policy to the changed international and internal conditions of struggle by India and the other Asian countries for industrialisation and economic independence.

J. Evans, who for many years was correspondent of the *Wall Street Journal* in India, bemoans the fact that although "the U.S. aid is far greater than Russia's, the Soviets' Bhilai is a more tangible symbol of aid than any single thing the U.S. is doing". He writes that one can see in India "a lot of relatively small projects" which the United States has helped to build. "Nor is there much public Indian government or newspaper discussion of what the U.S. is doing."[147] The essential aim of U.S. assistance, according to Evans, is to make India "more immune to communism".[148]

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[145] E. Black, *The Diplomacy of Economic Development*, Cambridge (Mass.), 1960, p. 45.
[146] *Ibid.*, p. 57.
[147] *Wall Street Journal*, December 10, 1959.
[148] *Ibid.*

Evans recommends to use part of American financial assistance not only for combating disease and epidemics, which tends to increase the population and consequently, in his opinion, also poverty, but for restricting the birth rate, because India "will face a widening gap between food needs and supplies in the next few years". He sharply criticises the economic policy of the Indian Government for its supposedly socialist character which, he avers, is "least likely to do the Indian people any good". He reproaches U.S. official circles because their aid helps to further this policy. Evans says that if the economic policy of the Indian Government "fails to deliver the goods, in terms of visible and sizable improvement in the extremely low living standards, the upshot could be political convulsions from which the Communists could emerge triumphant. In that event the U.S. would have helped bring about that which it wants most to avert."[149]

A different prospect is held out by V. M. Dean, editor of the American *Foreign Policy Bulletin*. After criticising the American policy of aid to India, she says that concessions by the Indian Government to private capital are the main means of preventing possible social upheavals. Close alliance with Indian business circles, in her opinion, can help the National Congress to maintain power. She writes: "The omens for the future are on the whole favourable. Congress is becoming more democratic in its leadership. At the same time, it is becoming more oriented toward business in its outlook and methods.... If the Congress party can rid itself of corruption, and make a major attempt to see that no one in India starves because of lack of food, or its price, or inability to earn enough to buy it, then it can expect to remain in power for a decade or more, and see current development projects to their fruition."[150] She urges the U.S. ruling circles to proceed from the need of helping India more actively so as to preserve her political stability by reinforcing the influence of the National Congress.

Professor Daniel L. Spencer of Howard University, who studies problems of India's economy, is inclined to expect the victory of capitalism in India through aid by the United States and other imperialist powers rather than through private foreign investment.[151] Agreeing with Professor Malenbaum that the share of the state in total investment under the Third Plan will amount approximately to 55-56 per cent Spencer insists on India getting massive aid to preserve her political stability. As a realistically-minded politician, he proceeds from the assumption that even under the most favourable conditions a large flow of private American capital could not be attracted to India in the next few years. He said that

[149] *Ibid.*
[150] V. Dean, *New Patterns of Democracy in India*, Cambridge (Mass.), 1959, pp. 208-209.
[151] *Pacific Affairs*, 1961, Vol. XXXIV, No. 1.

this would not happen as long as Prime Minister Nehru was in office and as long as the present plan, with about 55-60 per cent of resources invested through the public sector, operates in India. According to Spencer, "massive external aid can only alleviate the situation, but it is probable that still more massive aid will be required to bridge the widening gap".[152]

Spencer says that "in the opinion of some writers the failure of the British in India lay precisely in this failure to industrialise".[153] This sounds like a serious warning. India has entered on the road of industrialisation. Be careful, if no state "super-massive aid" is given her, capitalism will crash in India!

United States economists, like its politicians, have to admit the fact that the imperialist monopolies and financial concerns are reluctant to provide large amounts of private capital for the industrial development of India and the other less developed countries.

The scale, importance and nature of American state aid to India was associated by Spencer with the personality of Nehru, who headed the Indian Government at that time.

It should be recalled that the late Prime Minister was a confirmed proponent of India's industrialisation on the basis of the so-called mixed, state-private economy, with preference given to the state sector. State ownership of the means of production is not ownership by the entire people, and cannot become such in a bourgeois country. Consequently, it remains the general, collective property of the national bourgeoisie as a class which is opposed to the working class and all the working people. Nonetheless state ownership undoubtedly is a higher form of socialisation of property within the framework of bourgeois society. While disagreeing with Nehru that this property is socialist and can ensure the victory of the socialist system, Marxists highly assessed the efforts of the Indian Government and showed full understanding of its policy of industrialising the country through the development and strengthening of the state sector. Nehru once said: "We should lay stress on heavy industry and then come from that base to other industries.... The Planning Commission and our Government are definitely of that opinion."[154] Nehru saw in the building of a heavy industry a certain guarantee of India's preservation as an independent nation, as a sovereign state. This course is approved and supported in India by the progressive, democratic forces. They are most consistently applying it, criticising the inadequacy and class limitations of the official policy.

Prof. Spencer unwittingly voices the idea that the scale and nature of American aid are, as it were, a reaction to this policy of

[152] *Ibid.*
[153] *Ibid.*
[154] *Conversation with Nehru by Tibor Mende*, London, 1956, p. 130.

industrialisation which the United States can no longer successfully resist. He cannot admit that the industrialisation of India has become possible only because of the efforts of her people, only thanks to her national independence and the existence of the growing socialist community, and with the unselfish assistance of the Soviet Union. Spencer associates the industrialisation and development of India's state sector solely with the personality of Nehru and his policy. He wanted then, in 1961, to lift the curtain and see what policy would be established in India after Nehru and whether it would radically change, whether private enterprise would be able to dispose of all the resources of the state. He did not perceive in India's state-sponsored industrialisation an objective law stemming from the disintegration of the colonial system, the striving of the people to overcome their country's backwardness and from the magnetic force of the experience of socialist development in Europe and Asia.

New Age, India's central communist newspaper, wrote that "U.S. aid has been primarily for the social over-heads which are necessary in any case even for the realisation of the American monopolists' dream of taking over India after Nehru when they fondly hope that Morarji Desai will become the next Prime Minister." [155]

Such was the long-range objective of American aid in expectation of Nehru's death. But this scheme has not materialised either. India is following her former road. This, however, does not mean that Mr. Sadiq Ali and others of like mind are justified in spreading illusions about the "democratic" motives of American aid.

Although the Indian National Congress has won prestige in the country by its foreign policy, negative attitude to the aggressive blocs and certain progressive measures at home, some aspects of its internal policy are causing dissatisfaction. But its positive aspects—struggle against the legacy of colonialism, industrialisation, building of a state sector and strengthening the country's economic independence—are approved by the people. Owing to the pressure of internal reaction and its followers within the National Congress itself and the intrigues of the foreign monopolies, the danger represented by the reactionary camp has increased rather than diminished in recent years.

The reactionary forces attack the industrialisation policy and cooperation with the socialist countries; they advocate the development of private enterprise, the free influx of foreign capital and unrestricted aid even of the neo-colonialist brand. These forces clamour for a full revision of India's foreign policy; renunciation of the principles of peaceful coexistence and participation in the Western military alliances as a supposed guarantee of the country's independence.

The active neo-colonialist policy of extending economic aid, applied by the U. S. Government to neutral countries, is above all based on political considerations, as India's experience demonstrates. The class and political trend of the aid policy is increasingly aimed, on the one hand, at utmost reinforcement of the private capitalist sector to the detriment of the state sector in the developing countries and, on the other, at striking blows at the independent foreign policy of the neutral countries and, lastly, undermining their democratic and progressive organisations which back this policy. It is this price that the U.S. neo-colonialists are demanding for their aid. The danger for all, and particularly for neutral, Afro-Asian, countries has risen immeasurably as a result of the "rejuvenation" and "adaptation" of the aid policy to the new international conditions. The gradual penetration of India by U. S. imperialism under the guise of aid with the object of making this great country abandon the policy of neutrality clearly demonstrates that the more inconspicuous neo-colonialism is, the more dangerous it becomes.

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[155] *New Age*, March 19, 1961.

CHAPTER IX

U.S. POLICY IN ASIA — A POLICY OF RENOVATED COLONIALISM

Some Features of U.S. Neo-Colonialist Policy Today

The term "neo-colonialism" has struck solid root. This concept owes its origin to the uneven nature of the process of abolishing the colonial system, the advance of U.S. imperialism to the foreground, the emergence of new forms of economic, political and military dependence of the less developed countries on the imperialist powers, and lastly, to the new forms of the latter's colonialist policy.

In the past, colonial empires were formed and re-divided through big and small colonial wars and imperialist wars. Renovated colonialism, or neo-colonialism, of which the United States is the centre, arose not as a result of a forcible territorial re-division of the British, French, Dutch, Italian, Portuguese, Spanish or Japanese colonial empires. After the Second World War a re-division of the colonial possessions, like that after the First World War, was out of the question. Even the territories which had been captured by Japan, Italy and Germany, after their defeat in the Second World War could not have been taken over by the United States and the other allied imperialist powers because of the new relation of forces in the world. The great part played by the Soviet Union in the last war precluded a re-division of the colonial possessions in favour of the United States or Britain. Moreover, all the imperialist powers except the United States were greatly weakened by the war. The new upsurge of struggle by the oppressed peoples which began during the war and merged with the defeat of the Axis powers, also hampered a new division of the colonies and semi-colonies.

The uneven nature of economic and political development resulted in that after the Second World War the centre of world capitalism shifted to the United States, while the colonial system began rapidly to disintegrate under the onslaught of socialist revolutions and national-liberation movements. It so happened that at the moment when the United States was reaching the zenith in its imperialist development its expansion in Asia, Africa and Latin America ran up against the resistance of the socialist community and the national-liberation revolutions. It was in these conditions that renovated colonialism—a system of economic colonialism plus unequal treaties and military blocs—came to the forefront in world politics.

Today imperialism is compelled to abandon the forms of complete political subordination of less developed countries, which at one time were the most convenient and advantageous. These direct and coercive forms of dependence now lead to stubborn, protracted and, as a rule, victorious wars of national liberation, revolutions and movements which even world imperialism is unable to prevent or crush.

In 1916 Lenin pointed out that although finance capital was striving for the complete political subordination of the countries it enslaved, typical even of that period were not only "the two main groups of countries, those owning colonies, and the colonies themselves, but also the diverse forms of dependent countries which politically are formally independent, but in fact, are enmeshed in the net of financial and diplomatic dependence...."[1]

The uneven process of abolishing colonial systems means that at first foreign political domination is abolished and, consequently, the political forms of colonialism against which the anti-imperialist struggle of the entire people is spearheaded are eliminated, while economic colonialism, i.e., the diverse forms of deep economic dependence, is preserved. On the one hand, carry-overs of the crumbling colonial system remain on its ruins; on the other, new forms arise of political and economic dependence of some developing countries on their former European metropolitan states—or, which is more often the case, on the United States. The tenacity of colonialist policy, of various forms of dependence, is the tenacity of imperialism. All forms of economic and political dependence will fully disappear only with the abolition of monopoly capitalism. Until then a transformation of the old and the rise of new forms of dependence are inevitable, as evidenced by the neo-colonialism of the United States.

The imperialist aid policy, the economic exploitation of the Asian, African and Latin American countries, along with the establishment of military-political blocs and the participation of some less developed countries in them—here you have the classical form of American neo-colonialism.

During the first ten years after the war (1945-1955) the aim of establishing the fullest possible political and military control over Asia predominated over all the other interests of the United States with regard to that continent. During this period independent national states arose in Asia. Some of them took the socialist road

[1] В. И. Ленин, *Полное собрание сочинений*, т. 27, изд. 5, стр. 383.

of development. The shaping of statehood—regular armed forces, a state machine—was under way in the non-socialist states.

The ruling circles which came to power in the non-socialist Asian countries worked out the principles of home policy and defined their attitude to the working class, peasants and intellectuals in the new conditions. The foreign policy was determined. In a number of countries national and civil wars, intervention of imperialist forces and separatist movements occurred.

In this situation U.S. aid, chiefly military and only partly non-military, given to the ruling circles of certain Asian countries (South Korea, South Viet-Nam, Thailand, Malaya, Pakistan, Iran, Iraq prior to July 1958, Jordan, Turkey), became the main instrument in preventing these countries from pursuing an independent foreign policy and progressive neutrality, a means for fomenting division among the newly-free states and a weapon for crushing the national-liberation and socialist movement.

While some Afro-Asian countries energetically resisted U.S. attempts to impose on them military or non-military but politically-conditioned aid (India, Indonesia, Burma, Ceylon, Afghanistan, Syria, Yemen, the United Arab Republic, etc.), other countries accepted this aid. Some of them subsequently joined military-political blocs and concluded unequal bilateral treaties with the United States. But as shown by events in the last 8-10 years a nationwide political crisis can arise and frequently does arise in the Asian member countries of military blocs.

We have discussed earlier the weakening of military blocs in Asia, which was one of the reasons for the new forms of American neo-colonialist policy.

The whipping together of blocs brought the United States no results in containing the national-liberation and social revolutions in Asia, Africa and Latin America. Addressing his reactionary opponents who insistently demanded that India join pro-imperialist blocs, Nehru once said: "Can you provide a single example that a country-member of SEATO or CENTO profited from this or strengthened itself? A record of regional blocs in Asia shows that none of them helped any of these countries in this respect."[2]

Unfortunately, we cannot say that this sober approach to new forms of colonialism was shared by the leaders of all young Asian states in the 1950's when neo-colonialist blocs were knocked together. It was then that the United States succeeded in imposing unequal treaties on the newly-independent countries, organising military bases on their territory and drawing them into military blocs; this represents one of the new forms of enslavement.

During the present stage of capitalism's general crisis, which

[2] Cf. Bahadur Singh, R. K. Sinha, *America, Russia and Ourselves*, New Delhi, 1960, pp. 19-20.

began at the end of the 1950's the world socialist system turned into the decisive factor in mankind's development and the balance of world forces increasingly changed to the detriment of capitalism: the share of capitalism in the world economy declined, with the share of the big imperialist powers, the United States especially, shrinking in the capitalist world; the possibilities which the aggressive circles of imperialism have for unleashing war were drastically curtailed; the old colonial system disintegrated and the economic dependence of the developing countries on the world capitalist economy gradually weakened. The successes of socialism are having an ever greater impact on people in the capitalist and less developed countries; the struggle of the liberated peoples for complete, including economic, independence is mounting. In a number of countries the national-liberation movements are shifting onto the lines of social revolutions, and the development along non-capitalist lines is regarded as the immediate objective. The national-liberation movements on all the three continents are spearheaded against the foundations of capitalism.

The period when the national movements could be confined to struggle for state sovereignty, for political independence, leaving economic freedom in the shade, has ended. Building a national economy and achieving economic emancipation has become a very pressing issue in all newly-free countries. And this, as Lenin pointed out, is what counts.

Sékou Touré has rightly remarked that independence would have meant nothing had it not resulted in a change of the material and cultural standards of the people.[3] The same idea was expressed by Gamal Abdel Nasser in his speech at the 15th Session of the U.N. General Assembly in connection with the declaration submitted by the Soviet Government on the granting of independence to the colonial countries and peoples. He said that the countries which had won independence were firmly convinced that if they did not gain economic independence they would not find a solid basis for preserving their political freedom.

In analysing the adaptation of American neo-colonialist policy to the changing situation, we shall miss the point if we do not consider the steadily growing impact of the competition of the two world social systems on all international relations.

The military expenditure both of the United States and all its Asian allies has so risen that it constantly threatens to undermine the economy, is depleting resources and arousing the dissatisfaction of the people, and this ultimately makes the political regimes, especially in the less developed countries, unstable.[4] The policy

[3] С. Турэ, *Независимая Гвинея*, Москва, 1960, стр. 177.

[4] Kennedy admitted that military and economic aid had long ago become a burden for Americans. He said in June 1961 that enthusiasm over foreign aid was waning and increasing numbers of Americans were getting tired of that

of stemming the growing instability of the world capitalist economy brought on by the development of the world socialist system, by utilising for this purpose the tremendous growth of militarism and harnessing the less developed countries to the United States through numerous military and economic programmes—this policy has exhausted itself and has no great prospects.

The growing might of the socialist countries and greater assistance by them to the developing countries, the creation of an independent economy by the latter, the mounting national-liberation movement, deterioration of the positions of the American monopolies in the world economy and the weakening of the prestige and influence of American imperialism have compelled the U.S. monopolies and Government to manoeuvre, making in a number of cases concessions to the young states.

The "positions-of-strength" policy and generous handouts are less and less effective as means of influencing socio-economic processes in the young countries and their foreign policy. Turkey, Iran, Pakistan, South Viet-Nam and South Korea, which are gripped by deep internal contradictions, are proving this point. Neutral countries (and these are the biggest in Asia) have taken a sharply adverse attitude to U.S. neo-colonialism, rightly fearing its consequences, and have demanded that economic aid carry no strings of any kind. Even after the U.S.-India conference in Washington in May 1959 when India was promised greater economic aid, the *AICC Economic Review* wrote: "... Effective use of economic assistance cannot be achieved unless the political and military considerations of giving the aid are dropped and the U.S.A. is still away from this welcome position." [5]

U.S. Secretary of State Dean Rusk, addressing the Senate Foreign Relations Committee on the aid policy, made remarks which are of definite importance for its retrospective assessment. He said it was important in rendering aid to do so on terms that would not insult and degrade the recipients, or restrict their freedom. He added that friendship was stronger when it was not extorted.[6]

After the assassination of President Kennedy *Detroit News* published an article he had written for the tenth anniversary of NATO (April 19, 1959)—an article which had never been published before and is of interest today as well. It clearly reveals the crisis which at the end of the 1950's affected the policy of the U.S. ruling circles vis-à-vis the developing countries. Kennedy admitted that "the economic needs of the less developed world have been a gathering storm for some years, and in several key areas the flashpoint is not far off". He called for immediate measures to prevent an explosion. Kennedy appealed to all NATO member states to join "their forces immediately in their economic aid to this less fortunate part of the world" and to "move into this concerted action now, not in some nebulous tomorrow *when it may be too late*"[7] (my italics.—*R.U.*).

Raising the question of immediate aid, Kennedy warned that the problem of assistance does not lend itself any longer "to mere crisis improvisation and to temporary transfusions". Even before he moved to the White House, Kennedy advocated not only a greater American dollar offensive in Asia, Africa and Latin America, but also the pooling and coordination of efforts by the United States and the West European countries against the growing crisis in the rim of the capitalist world.

He insistently demanded that NATO, the European Economic Community, the International Bank for Reconstruction and Development, the International Monetary Fund and relevant U.S. economic organisations (Development Loan Fund, and others) work out a "ready foreign assistance programme". This should be based on the principle of extending long-term loans by increasing the resources of American and international organisations concerned with foreign aid. An increase in the capital reserves of the I.B.R.D. and the International Monetary Fund, extension of credit limits, granting of easy terms, liberalisation of foreign trade policy, paying special attention to India ("in Asia ... the test will be India"), elaboration of joint investment programmes, etc.—these were the methods Kennedy recommended to use, "before we act under the compulsion of deep crisis or disaster".[8]

A realistic-minded and outstanding political leader of contemporary imperialism, Kennedy significantly and not without ground concluded his article with a stern warning addressed to NATO allies: "If we let apathy control events, then we shall have an immeasurably larger military bill to pay later, if we are to offset the losses of large portions of Asia and Africa."[9]

To prevent new Asian and African countries from falling away from the Western world, from the capitalist system, their ruling circles must be supplied with money, credits, armaments on a large scale and at once; otherwise the West will lose these countries,

burden because much of the taxpayers' money was wasted or spent unwisely (*New York Times*, June 17, 1961). Three years later (in September 1964) Otto Passman, chairman of the Congress subcommittee on foreign aid appropriations, accused the Johnson Administration that its aid policy was the most disappointing, misguided and costly experiment ever undertaken in foreign policy.

[5] *AICC Economic Review*, June 1, 1959. Three years later, soon after the Caribbean crisis, U. N. Secretary-General U Thant in a lecture delivered in New York mentioned the neo-colonialist features of American policy, evoking the displeasure of U. S. official circles and the monopolies. The *New York Times* admitted on December 4, 1962, that in some periods a big part of U. S. aid—probably too big a part—was prompted by military considerations.

[6] *New York Times*, June 1, 1961.

[7] *Detroit News*, January 12, 1964.

[8] *Ibid.*

[9] *Ibid.*

and then perhaps they will have to be won away from the socialist system by armed force—such is the message of Kennedy's article.

It is not surprising that the Kennedy and then the Johnson Administration tried to revamp the former programmes and methods of American aid which were inadequate and discredited.

Reorganisation of the American Aid System and the "Diplomacy of Economic Development"

On March 22, 1961, Kennedy sent a message to Congress on foreign aid. He admitted that the existing foreign aid programme and concepts were unsatisfactory in the main. Referring to the principles of the aid system he wrote: "... Bureaucratically fragmented, awkward and slow, its administration is diffused over a haphazard and irrational structure covering at least four departments and several other agencies. The programme is based on a series of legislative measures and administrative procedures conceived at different times and for different purposes, many of them now obsolete, inconsistent, and unduly rigid and thus unsuited to our present needs and purposes. Its weaknesses have begun to undermine confidence in our effort both here and abroad."[10]

The President noted the uneven and short-term nature of financing the less developed countries, which made American aid less effective.

Admitting the high efficiency of Soviet "long-range commitments", Kennedy imputed to Soviet aid absolutely alien tasks, such as making the "developing nations economically dependent on Russian support and thus advancing the aims of world communism".[11]

Kennedy's proposal was to change the structure of American aid within and outside the U.S.A., to establish a "single agency in Washington and the field equipped with a flexible set of tools, in place of several competing and confusing aid units";[12] elaborate "a carefully thought through programme ... instead of a series of individual, unrelated projects"; encourage "long-term planning and financing", with "special emphasis on development loans repayable in dollars" (although in some cases there could be grants or loans repaid in local currencies); give "special attention to those nations most willing and able to mobilise their own resources"; establish "a multilateral approach" designed to encourage other industrialised nations to grant aid to less developed countries; separate economic aid from military assistance, seeing that the former makes its own contribution to U.S. basic security needs.[13]

Kennedy stressed the necessity of changing as swiftly as possible from subsidies to long-range development loans at low or no rates of interest: "The terms of repayment will vary from as long as 50 years for those countries just starting on the road to development, to a much shorter period of time for those countries that are nearing the stage of self-sufficient growth."[14]

Pointing out that productive capacity in the United States was only 80 per cent utilised and that nearly 7 per cent of the workers were unemployed, Kennedy wrote: "Under these circumstances cut-backs in the foreign aid programme would be felt not only in loss of economic progress and hope abroad but in loss of markets and income for business, labour and agriculture at home."[15]

Thus, the President called for centralising the institutions handling American foreign aid so as to make it serve, to a greater extent than before, the plans for "containing communism" and openly counterposing it to assistance rendered by the socialist countries.

Military and economic aid was put to the foreground as the main means of combating the influence of the socialist system.

In effect, the measures proposed in Kennedy's message signified fuller political, economic and ideological integration of the forces of American and West European imperialism than before. The message called for unity of the internal forces of the United States and their allies to ensure the capitalist way of development in the newly-free countries.

The "new look" on aid was an attempt to create a dynamic strategy of imperialism; at the same time it attested to great anxiety at the growing impact exerted by the socialist community on the progress of young sovereign states in Asia and Africa.

Kennedy sought to introduce, so to say, elementary order in the mechanism of financial aid, in its terms, duration and redemption, and to make the aid policy more flexible and acceptable for the ruling circles and public opinion of the young states. He tried to create the illusion that the American policy towards the developing countries was being radically changed. But the main thing was that the message insistently urged the entire imperialist camp to utilise aid more efficiently for preserving and extending the influence of imperialism in the former colonies and dependencies, especially in neutral countries which scored initial successes in the battle for economic emancipation. Both Kennedy's message to

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[10] *Department of State Bulletin*, Washington, April 10, 1961, p. 507.
[11] *Ibid.*, p. 508.
[12] *Ibid.*, pp. 509-510. Kennedy proposed to unite in a single agency, subordinated to the State Department, the International Cooperation Administration, the Development Loan Fund, the Food-for-Peace Programme, the Export-Import Bank and the Peace Corps. A mission was to be set up in each aid-receiving country, with the head of the mission subordinated to the U. S. Ambassador. The State Department was to coordinate the economic aid programme with the programmes of military aid handled by the Department of Defence. These proposals were accepted by Congress.
[13] *Ibid.*, p. 510.
[14] *Ibid.*, p. 511.
[15] *Ibid.*, p. 513.

Congress and the 1961 Act for International Development provided for stepping up economic aid in the form of long-term loans and enhancing its significance for foreign policy. "We hope," Dean Rusk said, "to provide a closer integration between the economic aid programme and our foreign policy...."[16]

Explaining the 1961 Act Kennedy wrote: "Economic development assistance can no longer be subordinated to, or viewed simply as a tool for meeting short-run political objectives.... Long-range, self-sustained economic growth of less developed nations is our goal."[17]

The law envisaged loans to be repaid in dollars for promoting the economic development of less developed countries and areas, with emphasis on long-range projects and plans.

The loans were to amount to $900 million in 1961/62 and $1,600 million in each of the next four years (1963-1966)—a total of $7,300 million in five years. The less developed countries were to be given another $ 300 million annually from the sums received in repayment of old loans.[18]

In addition to these sums provision was made for subsidies for development needs, research work and the President's special fund ($1,700 million annually).[19] Thus, American aid for five years was to exceed $17,000 million.

The presidential message set the task of activating the American programme of economic colonialism in the developing countries not belonging to aggressive blocs and adhering to the policy of positive neutrality, and of strengthening the ties of the United States with its old allies.

The entire governmental economic aid machine was subordinated to the Department of State and in the recipient countries, to the U.S. Ambassadors. Apart from the usual diplomatic functions the Ambassadors were made responsible for the entire range of American activities abroad. They were also empowered to interpret the policy in economic matters in such a way as to adapt it to the concrete conditions of the given country. The presidential message stressed the need of selecting for the aid system men capable of understanding the trends and consequences of the social, economic and political changes in the developing countries.

In this connection, special attention was drawn to the selection of personnel for work directly in the developing countries or in institutions dealing with these countries. "The concentration of responsibilities and increased status will both require and attract high-calibre personnel," Kennedy wrote in his message. "I am not proposing merely a reshuffling and relabelling of all agencies and

[16] *Department of State Bulletin*, September 11, 1961, p. 454.
[17] *New York Times*, May 27, 1961.
[18] *New York Times*, July 9, 1961.
[19] *New York Times*, June 1, 1961.

their personnel.... I am recommending the replacement of these agencies with a new one—a fresh start under new leadership."[20]

A "diplomacy of economic development" was suggested for the better application of the new forms of American policy in the developing countries. Eugene Black, then President of the International Bank for Reconstruction and Development, was among those who called for such "diplomacy".[21]

The so-called Peace Corps was set up in conformity with Kennedy's message and the reorganisation of the entire American aid system. Formally the Peace Corps was to be a voluntary and not a state organisation. It was made up of people wishing to work in Asia, Africa and Latin America. According to a widely publicised plan, people of the most diverse vocations—from skilled workers to teachers, doctors and engineers—were to work without pay in different countries, living among the people. R.S. Shriver, a man connected with the big American monopolies, was appointed director of the Peace Corps.

During the first year, $30 million were appropriated for its activities from the U.S. federal budget. This money coming from the pocket of the American taxpayer was used to maintain a special administrative staff of 275 and 1,000 volunteers abroad. Subsequently the number of corps-men increased many times over.

No government of the young sovereign states has shown any interest in maintaining the new "missionaries" of the Western world. This is understood by the Corps organisers themselves. The free services of the corps-men are used as bait by the colonialists in their negotiations with countries in need of skilled personnel.

The American press does not conceal the fact that the members of the Corps are in one way or another connected with the U.S. Information Service and the C.I.A., although Shriver has stated that he would not allow C.I.A. agents to penetrate the Peace Corps.

From the very outset the F.B.I. and the Corps administration saw to it that no "Reds" should get into the Peace Corps and that all volunteers be subjected to a thorough loyalty test.[22]

The actual political aims of the Corps are to fight socialism in every way possible, to popularise and implant the American way of life and to help keep the peoples of the less developed countries within the capitalist system.

The Peace Corps has established close contacts with American religious and missionary organisations which have a staff of about 35,000 in the less developed countries.

In 1963/64 appropriations for the Peace Corps amounted to $102 million and in 1964/65, to $115 million. Its activities are

[20] *Department of State Bulletin*, April 10, 1961, pp. 510-511.
[21] E. Black, *The Diplomacy of Economic Development*, Cambridge (Mass.), 1960, pp. 39-45.
[22] *Washington Post*, April 3, 1961.

being extended. The number of corps-men rose to 10,500 in 1964, and there are expected to be about 14,000 by the end of 1965.[23]

The Rockefeller family, with the assistance of the U.S. Government, is setting up its own "corps of businessmen" which will operate in the young countries with the object of economically subordinating them. An organisational committee, set up in Washington in March 1964, is recruiting businessmen who are planning to retire or are dissatisfied with their career, for work in commercial branches of young states. The organisational committee is headed by David Rockefeller, director of the Chase Manhattan Bank, and S. Linowitz, Chairman of the Board of the Xerox Corporation. The committee was set up in the State Department at a joint meeting of businessmen and government officials.

The corps of businessmen will operate as a private enterprise organisation. At the same time, the U.S. Government has expressed readiness to provide funds.

The institutions in charge of the aid policy are steadily being improved and the handling of finances centralised. The personnel engaged in the system of "diplomacy of economic development" is being enlarged and improved. For this purpose representatives of the monopolies are widely enlisted in the upper and middle echelons of the governmental institutions operating both in the United States and abroad. Interlocking of the state and the monopolies in the foreign assistance machine is growing. Representatives of the monopolies are coming to hold more and more key posts in this machine. Kennedy once said that the government would try to "borrow personnel" from some of the most successful companies so as to enlist people "of talent and experience".[24]

Never have the U.S. leaders so insistently raised the question of penetrating the political, economic and ideological life of the less developed countries. Dean Rusk has said that U.S. Ambassadors would devote more time to "diplomacy of development", since the real bottleneck is not money but people who have the training and experience for guiding the development of other countries.[25] The American imperialists, while reorganising the forms and methods of their aid to the developing countries, continue to lay claim to directing their affairs.

Rusk admits that it is impossible directly to impose American guidance on the less developed countries. He calls for a camouflaged policy, for utilising U.S.-controlled international organisations for this purpose: "In some countries in whose progress we are deeply interested we must recognise a hesitation to receive direction or guidance from us or any other major power. Yet these countries will willingly accept advice on administrative and other reforms

[23] *Washington Post*, February 6, 1964.
[24] *New York Times*, June 17, 1961.
[25] *Ibid.*

coming from international organisations of which they are members."[26] Even when the United States temporarily enjoyed military and economic superiority, it did not succeed in establishing its guidance over the economy of the backward countries. As the aim of American imperialism to dominate the developing countries became increasingly unfeasible and disappointment in American policy in these countries grew, the internal struggle among the U.S. ruling element deepened.

Foreign aid became an important socio-political issue in the United States and the cause of conflicts and clashes between proponents of different concepts. Its discussion was carried from Congress to government institutions and from the press to a broader auditorium, the people at large. It has not yet become a direct issue of the class struggle in the United States but it is adding to the tension and contradictions in U.S. home and foreign policy which mark the situation in the United States in recent years.

American reactionary forces have been long and insistently calling for cutting off aid to less developed countries which do not support Washington's foreign policy line. When the Act for International Development was debated in Congress between March and August 1961, the most reactionary spokesmen of the "war-industrial complex" launched a broad campaign declaring that any foreign aid unaccompanied by the establishment of anti-communist military and political alliances was a waste of the taxpayer's money. They demanded a rejection of the bill. The Act on the reorganisation of the structure, forms and methods of foreign aid was passed by the U.S. Congress on August 31 after being debated for six months in various committees, the House and the Senate. It was signed by the President on September 4.

The Senate, as distinct from the House, agreed with the President's request for powers to plan loans for a long term. The House, chiefly by Republican votes, refused to grant him these powers (August 16, 1961). On the same day Kennedy sent a message to the House. Its form and content are indicative of the keen internal struggle in the U.S. ruling circles and the persistent desire of the Administration to overcome the crisis in policy towards the developing countries. In his message Kennedy stated: "Long-term authorisation of development loans, as earlier recommended by President Eisenhower, is essential to making certain that our foreign aid programme is both efficient and effective....

"I cannot believe that bipartisan support always given this programme is at this crucial moment to be abandoned. I strongly urge the members of the House, by reversing this afternoon's (August 16) vote to demonstrate that this nation is still united in its determination to meet its responsibilities and halt the spread of

[26] *Department of State Bulletin*, September 11, 1961, p. 453.

communism and Castroism by every available means. For eight years the Democrats in both Houses gave President Eisenhower overwhelming support in every major vote on foreign policy and foreign aid. It is urgent that this bipartisan principle be maintained in this crucial hour of the nation's history."[27]

After this statement a reconciliation commission, consisting of representatives of both Houses, was set up and a formula was accepted empowering the President to sign obligations for financing long-range development programmes with a reasonable certainty of these commitments being fulfilled. Long-term programmes are designated for not less than a five-year period.

The policy of long-term planning of loans and credits is aimed at influencing the long-range economic development programmes of the newly-free countries. Almost all of them have programmes for building up a national economy. As a rule the United States kept aloof from these programmes or only occasionally took part in them. The new forms of foreign aid appropriations were designed to change this situation.

The new loan policy was expressed in Kennedy's message of March 22, 1961, and the Congress Act of August 31, 1961, contains two demands made on recipient countries, reflecting the true nature of this policy: to buy with the loans goods only of American make and to repay the loans, as a rule, only in dollars.

The first demand signifies greater exploitation of the developing countries which are compelled to buy expensive American equipment. The second demand makes these countries even more dependent on the sale of their goods in the United States and other countries of the dollar area.

The desire of American political leaders to increase the dependence of the developing countries on the dollar market is fully understandable. To combat possible overproduction in the United States it is necessary to compel the developing countries, first, to buy expensive American goods, thus preventing the leakage to other countries of the dollars they are given and, secondly, to compel them to sell more of their raw materials to the United States. In both cases the American monopolies are the winners and the less developed countries the losers.

In view of the opposition from the House of Representatives, Kennedy was quite outspoken as to the main criterion by which the U.S. Government would be guided in implementing the Act for International Development. When signing the law, he stated: "We should give great attention and consideration to those nations who have our view of the world crisis."[28]

Subsequently the late President repeated this idea in even more forceful terms. He said that the United States would primarily

[27] *Department of State Bulletin*, September 4, 1961, p. 401.
[28] *Department of State Bulletin*, September 18, 1961, p. 492.

help countries which agree with the American position on issues in dispute between East and West.[29]

This statement was utilised for even more vicious propaganda against "disobedient neutrals". The monopoly press openly advocated discontinuance of aid to neutrals who refuse to support Washington's foreign policy.

The American war industry circles called for a return to the policy of John Foster Dulles, according to which countries not supporting the United States should be treated as antagonists.

Washington Combats Neutrality of the Less Developed Countries

The new forms of American assistance to the developing countries were designed to convince them, above all the neutral non-aligned states, that the U.S.A. had changed its former aid policy. These new forms, American politicians expected, were to prompt the national bourgeoisie to break with neutrality. It would be wrong to assume that Kennedy's message and the subsequent measures of the Kennedy and Johnson Administration were merely a verbal concession to public opinion in the newly-free countries. The more far-sighted and realistically-minded spokesmen for the American monopolies have begun to realise that their own interests demand a renunciation of war as the only method of resolving conflicts in relations with the socialist countries and also renunciation of the "extremes" of American policy towards neutral states.

In face of the growing forces of socialism, peace, democracy and the national-liberation movement, the American monopoly bourgeoisie is being compelled to manoeuvre on two cardinal issues of our times: the question of war and peace and the attitude to colonialism and the developing countries. Fear of losing their prestige and further weakening their positions in the less developed countries and the obvious impossibility of keeping countries dependent by force or through politically-conditioned aid, are compelling U.S. leaders to make adjustments in their policy.

Alongside the concept of "immorality" of neutralism which was widespread during the days of Eisenhower, Nixon and Dulles, the concept of economic cooperation between the imperialist powers and the developing countries was formulated even before the Kennedy Administration assumed office. The ideologists and organisers of colonialist blocs expressed willingness to help in the economic progress of the newly-free countries, especially if these in any way agreed with some aspects of Washington's foreign policy. Of course, the verbal disavowal of the old colonial methods—Big Stick, landing of marines and gunboat diplomacy—did not completely rule

[29] *New York Times*, September 26, 1961.

out their open use. The policy of economic aid to the developing countries, expounded at length in Kennedy's message (1961), numerous statements by Dean Rusk and relevant acts of Congress, has not precluded U.S. hostilities against the people of Cuba, Laos and South Viet-Nam.

One interesting point is that, following Kennedy's message to Congress, greater economic aid was demanded first of all by U.S. allies in military pacts who decided that the time had come when membership of military pacts should pay economic dividends.

But it was not to be so simple. At the end of April 1961, soon after Kennedy had sent his message to Congress, the CENTO Council met in Ankara, with Dean Rusk present as observer. The delegates of Iran and Pakistan insistently demanded that CENTO executive agencies be instructed thoroughly to study economic, and not military, matters. They argued that the pact was designed to bring its participants not only military security but also economic prosperity, and that the latter was nowhere in sight.

Their desire to obtain real and substantial economic assistance was energetically resisted by the United States and Britain. Dean Rusk told the CENTO session that the share of the United States in aid to CENTO countries could not be determined so far and that they should expect more substantial help from other industrialised countries.[30] Britain firmly declared that she would not increase her aid to CENTO members. Despite the request of the latter for greater economic assistance, the Western organisers of CENTO and SEATO have taken up at their sessions problems of military planning, struggle against the "communist menace" and the "drive on communism".

Contemporary imperialism employs many forms and methods to justify ideologically its neo-colonialist policy, especially with regard to the neutral countries. In recent years it has begun to include the principle of "interdependence" and "community of interests" between the imperialist powers and the developing countries. The "interdependence of interests" should, in the opinion of the neo-colonialists, find its expression in supra-national cooperation, by which the less developed countries should forego their sovereignty.

The ideologists of neo-colonialism realise that the ruling circles of many developing countries, though critical of scientific Marxist-Leninist socialism, are trying to find their own ways of development devoid of the inevitable concomitants of capitalism (poverty, rightlessness and class struggle). One way is neutrality. In view of this, the ideologists of neo-colonialism are presenting to the newly-free countries the concept of cooperation between the industrial West and economically backward Asia, Africa and Latin America.

[30] *Times*, April 28, 1961.

This concept has been most strikingly reflected in a symposium published in the United States. Professor Stefan Possony outlines it as follows: "... It would be impractical to sever key relationships between the metropolitan powers and certain dependent areas. If it is clear then that the two types of states must live together for a long time to come, the problem is obviously not how to separate them, but how to develop forms of cooperation which are acceptable to both partners."[31]

One of the forms of such cooperation is long-term loans. It is on these loans that American political leaders are banking in an effort to win over the national bourgeoisie in the developing countries which so far have not toed the American line. The reactionary elements of the national bourgeoisie who are trying to set the political tune in their countries and are laying claim to leadership in political life have grown stronger in the course of mounting class contradictions in all the economically backward countries, including the neutral states.

Today American imperialism is not satisfied with the alliance with the Right-wing elements of the national bourgeoisie. Nor is alliance with countries which have joined aggressive blocs considered adequate. The Right-wing elements of the bourgeoisie and the feudal landowners do not have sufficiently broad ties with the people and in some countries they have thoroughly discredited themselves by collaboration with imperialist circles both now and in the past.

While doing all it can to reinforce these sections, American imperialism is also trying to extend its influence in the developing countries by winning over to its side the entire national bourgeoisie. These ends are furthered by the widely advertised cooperation of the United States with the developing countries on the basis of aid through long-term loans.

The United States is thoroughly overhauling its aid policy and launching a dollar offensive to achieve a number of objectives. These are: to accelerate the shift to the right of the national bourgeoisie; paralyse the efforts of the sections of the national bourgeoisie interested in consolidating the country's sovereignty, in achieving economic independence and carrying out social reforms; to step up the policy of anti-communism in the less developed countries; bribe the unpatriotic elements of the ruling circles and the bourgeois intellectuals; win the sympathies of the middle and petty bourgeoisie in order to break up the anti-imperialist national unity of the peoples in the developing countries, and make these countries abandon their policy of neutrality.

[31] *Idea of Colonialism*, New York, 1959, p. 34.

Henry Labouisse, former director of the International Cooperation Administration, head of a special group appointed by the President to study problems of foreign aid and one of the authors of the above-mentioned presidential message to Congress and of the Act for International Development, has stated that the President's demand for powers of long-term loan planning was the crux of the new programme.[32]

Douglas Dillon held that by guaranteeing the ruling circles of the developing countries aid for several years to come it was possible to persuade some of the countries to introduce reforms necessary for accelerating capitalist development.[33]

Numerous commissions and the Treasury Department, the State Department and the press blamed all reverses of the aid policy on the fact that it was planned only for short terms.

U.S. ruling circles saw in the principle of long-range financial aid a means for eliminating former fallacies and an instrument for attracting the neutral countries.

The old times are gone and today it is impossible, at least openly, to make aid conditional on a renunciation of neutrality. Moreover, concealed pressure and indirect promptings to renounce neutrality miss their mark.

Formerly the United States demanded of the less developed countries in exchange for its aid permission to use their territory for military bases and participation in anti-communist blocs. This was chiefly the way the neo-colonialist policy was expressed; now, while continuing the same policy, the United States is looking for more refined methods, especially vis-à-vis the neutral countries so that the latter should not feel dependent and should draw on the advice and help of the United States.

The new forms and methods of the neo-colonialist policy, devised by the Kennedy-Johnson Administration, call for "contacts in depth", i.e., the establishment of durable and growing contacts with the basic social groups of the population, "effective relations with neutral governments", "encouragement of a wide study in America of the history, economy, culture and languages of the Asian peoples", "able and wide-scale propaganda of the dynamic and democratic nature of American society among the Asian peoples", "active cultural exchange", "energetic participation in economic development plans" and consolidation of the forces "which have a chance to acquire influence and power in future".

Strategy for the 60's, written by members of leading U.S. study centres, stresses the need "to maintain relations not only with governments in power but with potential ruling groups and other emerging interests within the underdeveloped societies. Not only U.S. officials but also non-government personnel (e.g., U.S. businessmen, missionaries, journalists) should have broader contacts in foreign countries."[34]

Various experts and scientists in statements to the press and before Congress committees have noted that Asian countries must not be looked upon primarily as a bastion against communism, because this arouses the hostility of most Asians.

Chester Bowles has been especially active in devising the new methods of U.S. strategy in Asia. He recommends the government "to reorganise the foreign aid programme so that it might be placed on a continuing basis with a new sense of direction, new standards, new purposes, fresh personnel and improved administration". Bowles calls for "a fresh approach to the problem of colonialism".[35]

What is this new approach? Mr. Bowles, undoubtedly an outstanding ideologist of American neo-colonialism, has done a great deal to modernise Dulles' futile policy which repelled the neutralist countries, and adapt it to the new situation in the world now that the economic, technical, military and scientific monopoly of the United States has been undermined by the tremendous growth of world socialism.

Mr. Bowles has publicly rejected the idea of U.S. world supremacy as unfeasible. In an article published in the *Saturday Evening Post* he asks, what aim is pursued by aid to foreign states, and replies that the objectives of the foreign aid programme "can be more easily understood in the light of what this programme will not do. It will *not* enable the U.S. to run the world. It will *not* enable the U.S. to control the U.N. votes of countries who receive our aid. It will *not* ensure us first place in a global popularity contest."[36]

This formulation of the aid objectives admits the unfeasibility of world supremacy plans, harboured so obstinately by the Truman and Eisenhower Administrations. Bowles arrives at a significant conclusion, declaring that the United States will not be able to achieve its aim "by roaming all over the world with our moneybags held open, trying to buy 'friends' who will agree to take directions from us".[37] The main purpose of American foreign aid programmes is to establish the closest social contacts with ruling circles of developing countries and to prompt them to pursue a home policy which would not let "a fresh crop of Red Chinas and Red Cubas take shape in Asia, Africa and Latin America".[38]

This is not aid designed to buy for dollars reactionary cardboard governments and then spend millions on supporting them and on the hopeless task of combating the liberation movement. Bowles

[32] *New York Times*, June 1, 1961.
[33] *New York Times*, June 6, 1961
[34] J. Serf, W. Pozen, *Strategy for the 60's*, New York, 1961, p. 9.
[35] *Department of State Bulletin*, February 12, 1962, pp. 253-254.
[36] *Saturday Evening Post*, May 18, 1963.
[37] *Ibid.*
[38] *Ibid.*

is well aware that such methods are ultimately doomed to failure. He disagrees with some important points contained in the report of the Clay Committee (1963), set up by the late President Kennedy to study the scale and distribution of U.S. military and economic aid to foreign states.

Bowles maintains that some provisions of the Clay report are of a "defensive" and "negative" character: "We are not, as the report implies, a tired old nation striving to hold off the future with dollars...." He does not agree with the Clay Committee that the U.S. should condition its aid "on the willingness of a recipient government to accept our views on capitalism".[39]

Bowles' own stand with regard to the American aid policy can be briefly formulated as follows:

to help "create nations increasingly able to meet the economic and social needs of their people", prepared to fight "against totalitarian enemies ... and increasingly willing to work with the United States as partners";[40]

to prevent new nations from turning "to the communist bloc for the necessary capital and technical help as *quid pro quo* for political support of the bloc's objectives";[41]

to give aid primarily to the developing countries which could most efficiently utilise American loans and subsidies. Among them Bowles includes India, Pakistan, Israel, the Chiang Kai-shek clique on Taiwan, Greece and partly Nigeria, Tunisia, Colombia, Costa Rica, El Salvador and other countries;

the United States must insist as a general rule on the necessary domestic reforms in the recipient countries as a pre-condition for continued aid.

Bowles calls this line "the affirmative policy"—"a wisely administered U.S. aid programme".[42]

The meaning and purpose of the Bowles philosophy of U.S. foreign aid to developing countries ultimately boils down to exerting pressure on their home and foreign policy, their trend of development and social processes within them. In this respect he is much more subtle, soft-spoken, flexible and far-sighted than Dulles but in essence he proposes to apply the selfsame policy of "world supremacy", "filling the power vacuum" and "containing communism".

All this is covered up by demands for progressive reforms in the developing countries as a condition for obtaining American aid. Aware of the shakiness of his position Bowles explains: "There is nothing in what I have said, however, that requires us to be foolhardy. Specific situations may occasionally cause us to throw away

[39] *Ibid.*
[40] *Ibid.*
[41] *Ibid.*
[42] *Ibid.*

the book, to exercise our own *ad hoc* judgement and temporarily to relax our pressures for reform." Moreover, Bowles accepts the idea of interfering in the domestic affairs of the developing countries in connection with U.S. aid: "As for the inevitable charges of 'Yankee interference in our domestic affairs', we should take them in stride. Whatever we do in regard to economic aid—whether we give it or withdraw it—constitutes 'interference' of one kind or another."[43]

* * *

It is becoming the fashion in the United States to claim that present American aid is designed to stimulate the independent development of young countries, while formerly its purpose was to maintain the system of "defensive" alliances. The American ideologists assert that the aid policy is no longer part of the militarist doctrine of the U.S. monopolies.

We cannot say that such statements are groundless. The Soviet Union broke the Western monopoly of atomic and thermonuclear weapons, and in the mid-50's, together with the other socialist countries, it broke the imperialist monopoly of supplying industrial equipment to the developing countries. After that, the West, above all the United States, could no longer apply its policy towards the countries of the Third World regardless of economic competition with the socialist states. Today, after Aswan, Bhilai and Bokaro, the imperialist powers can no longer refuse outright credits for industrial development, for key projects and the extension of the state sector. Today they can no longer veto the industrial development of the newly-free countries or, by refusing credits, put it off indefinitely.

Socialism has imposed on imperialism the keenest competition in one more sphere: the choice of way for the development of the newly-free countries. Today it is impossible to conceive the progressive development of economically backward countries without the support of the Soviet Union, the world socialist system and the international working-class movement. Western politicians and ideologists must take into consideration the fact that in many newly-free countries the people are resolutely in favour of building their new life along socialist lines, bypassing or abandoning capitalism. The number of these countries has been increasing since the end of the 1950's. This is no chance phenomenon, but a natural development of our time. U.S. ideologists are aware that the national-liberation movement will not be content with winning political independence. It has thoroughly shaken imperialism and demolished the colonial regimes, but it has not torn up the economic roots of

[43] *Ibid.*

imperialism and capitalism. The young countries are persistently striving for complete national sovereignty, of which economic freedom is the backbone.

Whatever the American ideologists claim, the logic of struggle for economic independence objectively leads the newly-free countries to restricting, ousting and finally abolishing private enterprise. Naturally this process will first of all affect foreign capital and, simultaneously with it or following it, local capital (including its undeveloped, at times primitive and rapacious, forms). This is happening in Algeria, the United Arab Republic, Burma, Ghana and Mali; this is happening in Cuba.

Lenin's prediction is coming true: the national-liberation movement is initially directed against imperialism and then turns against capitalism as well.

This gradual development of national revolutions into social revolutions is under way in all continents—Asia, Africa and Latin America. It will gain in strength because the future belongs to it.

It is in these conditions that the United States and the other Western powers are being compelled to undertake the "agonising reappraisal" of their entire policy with regard to the neutrals and, naturally, the aid policy—this cornerstone of neo-colonialism.

American imperialism is incapable of abolishing the political independence and neutrality of young sovereign states which are actively working for economic freedom and are cooperating with the socialist system. Hence its increasing need to elaborate concrete forms and methods of covert economic, financial and ideological penetration of the less developed countries with the object of emasculating their sovereignty, reducing their neutrality to a mere formality and depriving them of their independence.

The neutral policy of the developing nations has always been subjected to fierce attacks by the imperialist powers and internal reactionary forces.

The principle of non-alignment is supported by the most diverse classes and sections of the population in the developing countries, by people whose views are far removed from socialism and at times are even hostile to it. Neutrality ensures most of the young states the opportunity to apply an independent foreign policy. Without joining the socialist system, the politically sovereign but economically backward countries remaining within the world capitalist market, are choosing neutrality, non-alignment and peaceful coexistence as the only possible, rational and realistic course. This course can protect them from the attempts of the imperialist powers to subordinate them in one or another form.

The independent foreign policy pursued by the young national states has stood the test more than once in recent years. It enabled Egypt to repulse the Anglo-Franco-Israeli intervention in 1956.

Thanks to this policy the Indonesian Republic has crushed the counter-revolutionary separatist movement inspired from without and resolved the problem of Western Irian in a peaceful way. Many Afro-Asian states have succeeded in having the foreign military bases on their territory closed down. The policy of neutrality has contributed to the proclamation of Africa an atom-free zone, to the adoption of decisions banning the use of nuclear weapons and their transfer to third countries, and the conclusion of the partial nuclear test ban treaty. Neutrality, for example, has enabled India to withstand the attempts of the United States and its European allies to inveigle her into the aggressive SEATO bloc. Thanks to this policy India has taken an important place in the struggle for world peace and general disarmament and against nuclear tests. This policy has enabled India, relying on the broad international support of the socialist and other peace-loving states, to wipe out the last seats of Portuguese colonialism on her territory (Goa, Daman, Diu).

It is on these issues vital for India that the United States and its Western allies demonstrated to the world in 1962 the true worth of their "friendly" relations with India. Speaking in Parliament on June 23, 1962, Nehru expressed his deep regret that two great powers—the U.S. and Britain—were invariably against India in matters which greatly concerned the Indian people (meaning Goa and Kashmir).[44]

Neutrality today is a force restraining imperialist provocations. During the Caribbean crisis the unaligned countries displayed profound awareness of the gravity of the situation and made a telling contribution to easing it. Neutrality is valuable because it proceeds from the principle of peaceful coexistence of states with differing social and political systems; it meets the interests of all nations because it precludes the use of force and calls for a peaceful settlement of international conflicts through negotiation. Neutrality enhances the possibility of preventing a world war in our epoch, it envisages the possibility of reciprocal sensible concessions to forestall military crises and, in the event of their outbreak, prevent their escalation into a world war.

The unaligned states personify the scope and might of the national-liberation movement, the unavoidable, complete abolition of colonialism and the determination of these states to uphold peace and build an independent national economy. Together with the socialist system, they represent an alternative to colonialism, militarism and war. That the forces working for world peace prevail on each continent, in each large area, is associated with the growing international weight of the neutral states. The strengthening of the world socialist system and the neutrals which are jointly working for the complete abolition of every form of colonialism, is objective-

[44] *Times of India*, June 24, 1962.

ly creating superiority of the forces of socialism and the liberation movement over the forces of imperialism, war and neo-colonialism.

It is no accident that during the overhauling of the entire organisational system of the U.S. neo-colonialist aid policy the Kennedy Administration and the Johnson Administration concentrated efforts on a political and economic drive in the neutral countries, including India.

The foregoing exposition has shown that the strategists of American imperialism look upon India as the key to Asia. The American press, echoing numerous statements by Kennedy and other prominent U.S. leaders, noted that the falling away of India from the capitalist system would be a moral and strategic disaster. Regarding such a possibility as a calamity, certain politicians pointed out that the United States could forget its minor allies on the Asian continent but it must never allow India to go socialist. India, the American politicians think, must at any price be drawn into the cold war against socialism and diverted from her neutrality course.

The neo-colonialist policy of the United States towards neutal India in recent years has been expressed in intimidation with the "Red danger", the demand for a radical revision of her foreign policy by renouncing non-alignment, in unrestricted and formally unconditional provision of arms to India for extending the "war of Asians against Asians" and in efforts to inveigle her into SEATO.

In its attempts to make the neutrals alter their external course and abandon the non-alignment policy, the United States banks more than ever before on the internal reactionary forces. The strengthening of these forces and the persecution of Communist Parties and progressive organisations so as to aggravate the internal political situation are one of Washington's main aims in the neutral countries.

Reactionaries among the ruling circles of some neutral states are striking blows at democracy, are applying terror against progressive organisations, arresting Communists and preparing the internal conditions for a change in foreign policy. They want to replace the policy of neutrality by subordination of national interests to the strategic objectives of U.S. imperialism in its struggle against the socialist community and the liberation movement.

The fomenting of nationalist hysteria, the intensified activities of the reactionary forces and the efforts to oust statesmen who champion the policy of neutrality—all this is utilised by the United States to undermine the foundations of neutrality, which welds together in a united anti-imperialist front all the honest, peace-loving, democratic and progressive elements in each neutral country. An entire network of pro-American organisations has been set up in India whose neutrality has lately been the object of frenzied

attacks. These organisations catalyse the process of consolidating the internal reactionary forces and orient them on the U.S. neo-colonialists. Without discussing at length the reactionary role of foreign and especially American investors, the numerous foreign Christian missions and Right-wing Indian political parties closely linked with the United States, we shall mention some organisations whose activities, judging by the Indian press, have assumed dangerous proportions. These are the society for the defence of freedom in Asia, Azad Asia, the Himalayan convention, the Tibet convention, the democratic research group, the World Democratic Peace Congress, the End Kashmir Dispute Committee, the Congress for Cultural Freedom, the Moral Rearmament.[45]

The Indian people in their overwhelming majority, as before, approve the foreign policy of non-alignment, the struggle for peace, disarmament and peaceful coexistence.

And so, the active neo-colonialist policy of extending economic aid to neutral countries, pursued by the U.S. Government, stems above all from political motives. The objectives of this policy are to support and fortify the private capitalist sector in the economy to the detriment of the state sector, strike a blow at the independent foreign policy of the neutral countries and weaken the democratic and progressive organisations upholding this line. This is increasingly becoming the price for imperialist aid. Its danger for all, especially the neutrals, has risen immeasurably since the overhauling of the U.S. foreign aid policy and its adaptation to the new international conditions.

The heads of 57 states and governments of the unaligned countries of Asia, Africa and Latin America who in October 1964 assembled in Cairo for their second conference, declared that imperialism, colonialism and neo-colonialism was the principal source of international tension. They stated that the peoples were especially disturbed by military and other aid given to some countries in order to perpetuate by force colonialist and neo-colonialist domination, which runs counter to the spirit of the United Nations Charter.

In this context it becomes clear that the main result of the struggle against neo-colonialism has been the frustration of the hopes of the imperialist politicians who thought they would succeed in making the unaligned countries their indirect allies in the struggle against the socialist world or at least in neutralising them. With this end in view, they assiduously circulate the theory that the non-alignment policy is, in a way, "equally opposed" both to the capitalist and the socialist system. Echoes of this theory resound in the statements of some ideologists and politicians in the newly-free countries. Both the Belgrade and the Cairo conferences of the unaligned countries, however, named and denounced definite im-

[45] D. P. Shukla, *CIA over Asia*, Kanpur, 1962, p. 13.

perialist powers which pursue the colonialist policy—the United States, Britain, Portugal and France.

This is natural. Most of the unaligned countries are compelled to continue the struggle against these imperialist powers, to uphold their independence and to solve the difficult problem of eliminating backwardness which is the result of prolonged misrule by the self-same powers.

Can the newly-independent countries share the view of their being "equally opposed" to the two systems—capitalist and socialist? Most certainly not. The policy of the Soviet Union and the other countries of the socialist community who resolutely oppose colonialism and stand for world peace meets the interests of the unaligned states. The socialist system has helped, is helping, and will continue to help them attain complete national freedom.

Attempts to impose anti-communist slogans on the unaligned countries have likewise failed. The United States and the other imperialist powers are invariably trying to conceal their expansionist policy by holding up the bogey of the communist danger. But the unaligned states clearly divine the false nature of this manoeuvre. Anti-communism has in no way been reflected in the decisions of the Belgrade and Cairo conferences.

The imperialist politicians have also failed in their schemes to divert the unaligned states from the struggle for peace.

As a result, American politicians have been forced to admit that struggle against the non-alignment policy, including the refashioning and adaptation of economic aid, has not produced the desired results. They have not understood that from the very outset the non-alignment policy radically differed from passive neutrality. The states which have decided not to participate in military blocs are working actively to remove the barriers erected by neo-colonialism which hinder the normal development of all the newly-free countries. Non-alignment is an important political factor for peace and national independence, against imperialism and colonialism; this is the main thing the American neo-colonialists must reckon with now.

Neo-Colonialist "Social Reforms" and Multilateral Imperialist Aid

The ideologists of imperialism think that the changes in the policy of aid to the developing countries, undertaken by the Kennedy and Johnson Administrations, could halt or at least ward off for many years the loss of imperialism's economic domination and political influence in these countries. This calculation is wrong at the root. The relationship of forces between socialism and imperialism, as never before, is of exceptional importance for the socio-economic and political development of the newly-independent

countries and the choice of their way of development. Whatever turns this way may take in future, it must tear up the economic roots of imperialism and build an independent national economy. Imperialism, however, is opposed to this way and, consequently, the contradictions between the imperialists and the peoples in the less developed countries will grow keener. What makes the calculations of the imperialists insolvent is that the tendency to create politically independent states and to strengthen their economic ties with the world socialist system is gaining the upper hand over the opposite tendencies.

The tendency to form national bourgeois states, inherent in every national movement, turned, after the 1917 Socialist Revolution in Russia and especially after the emergence of the world socialist system, into a tendency to form national anti-imperialist states which have a real opportunity to withdraw from the world capitalist economy.

Prior to the rise of the world socialist system the foreign economic ties of national states were limited to the imperialist system. Today the situation is different. Young sovereign states are able to establish close cooperation with the socialist community, while temporarily remaining within the world capitalist economy. They have the opportunity to create a national democracy which is gradually making the transition to the non-capitalist road and escaping the grip of the world capitalist economy. This means that the basic tendencies and prospects of the development of the newly-free countries at present are determined more by the world socialist system than by imperialism. The imperialist efforts to curb the national-liberation movement, prevent it from establishing ties with the socialist system and forestall its development into a socialist movement are historically doomed to failure.

What, then, is left to international, above all American, imperialism? What weapons will it use in its attempt to restrain the deepening of the national-liberation movement, the desire of an anti-imperialist state which has won independence to tear up the economic roots of imperialism? Evidently, open or disguised counter-revolutionary violence will, as before, be employed when the situation arises. This is confirmed by the experience of the United Arab Republic, Cuba, Guatemala, the Congo, Algeria, Yemen, Indonesia, South Viet-Nam and other countries. But an enemy like a mass national-liberation movement cannot be fought with force alone, even with the most ruthless, best organised, and most thoroughgoing force. Such an enemy makes itself reckoned with and compels concessions, which—though they are always insincere, always half-hearted, often spurious and illusory, and usually hedged round with more or less subtly hidden traps — are nevertheless concessions, reforms that mark a new historical period.

There is no complete unanimity of views among American poli-

ticians and ideologists as to what the chief objective of American aid to less developed countries should be. Some of them (Rusk, Rostow, Millikan, Warburg, Malenbaum, Stevenson and others) speak of the need to develop the economy of these countries in order to prevent the spread of communism in them. Others (Bowles, Randall, Heilperin, Roberts) while agreeing with the need to assist in economic development, stress the importance of utilising aid as an instrument for influencing internal *social* processes and reforms in the less developed countries, naturally, for the selfsame purpose—blocking the way to communism.

All these people are proponents of a "new look" in foreign aid, and there is no radical difference of principle between them. In a certain sense this group is opposed by the Pentagon and numerous votaries of Dulles, chiefs of the Central Intelligence Agency and big businessmen who have a hand in supplying arms for Asian members of aggressive blocs. The latter stand for a "firm" policy of militarising the U.S. allies, for the prevalence of military aid and, as shown earlier, they want aid to further political, anti-communist ends without any pretence at economic and social reforms.

What unites both these groups is struggle against communism by all possible ways and means. Whatever the concrete difference between them in assessing the trend of American aid, they are united in their hatred for communism, and the desire to utilise aid asa weapon of struggle against it.

Johnson, Kennedy before him, and other U.S. statesmen want American aid to facilitate the solution of social problems in the less developed countries. This is not a new theme. It has been harped on by Bowles, Harriman, Stevenson, Douglas and other American leaders in their criticism of the Eisenhower Administration. But officially it resounded for the first time in Kennedy's 1961 message to Congress: "... The first requirement is that each recipient government seriously undertake to the best of its ability on its own those efforts of resource mobilisation, self-help, and internal reforms—including land reform, tax reform, an improved education and social justice—which its own development requires and which would increase its capacity to absorb external capital productively." [46]

Since then U.S. ruling circles have been making claims that they are helping the developing countries to solve problems of "social justice" which, in the words of Dean Rusk, is an urgent necessity of the 1960's.[47] This new reason for aid conceals the objective of still deeper interference by the United States in the domestic affairs of the less developed countries. [48] (Incidentally, Rusk's statement on this question relates to the period marked by intervention in Cuba in April 1961, intensified military intervention in the affairs of Laos, additional military support to the Ngo-Dinh-Diem regime in South Viet-Nam, aggressive policy in the Congo and support of a coup in South Korea.)

The demand for "social reforms" as one of the conditions for granting aid is thus a new aspect in the theory of cooperation of the United States with the less developed countries. Kennedy, Johnson, Rusk, Bowles and others have often spoken in favour of economic reforms. Some American leaders have warned the upper crust in the economically backward countries about the need to do something to advance the living standard of the population. If we grant that the U.S. rulers sincerely favour reforms in Asia, Africa and Latin America, why do they hate so much the socio-economic reforms in Cuba and other countries? What reforms does the United States visualise? When Washington speaks of land, tax and other economic reforms which must precede long-term U.S. loans or directly follow them, does this mean it supports the changes in the life of the developing countries advocated by the progressive forces? Why did the U.S. ruling circles connive at the overthrow of President Goulart of Brazil who started moderate social reforms benefiting the people?

The point is that so-called social reforms in the less developed countries, suggested by the United States, are regarded in Washington as the best means of combating the demands of the people for genuinely radical reforms. The entire American strategy of social reforms in the newly-free countries appears in its true light if we bear in mind that the reforms are designed to prevent these countries from taking the non-capitalist road. Reforms visualised by the American politicians and carried out under their control, could create a semblance of improvement and could foster various illusions. But such reforms, aimed at preventing not only a social revolution but also genuinely radical changes in the interest of the people, naturally will not enjoy popular support.

It is not because of the successes of American policy but because of its failures that its sponsors talk a language which differs from that of the past.

A well-informed and influential U.S. magazine has pointed out that "in the long run, of course, the U.S. cannot hold on in Asia unless the weak nations which are dependent on it—Korea, Formosa, South Viet-Nam and Thailand—initiate and carry out do-

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[46] *Department of State Bulletin*, April 10, 1961, p. 511.

[47] *Ibid.*

[48] The question of permissibility of interference in the domestic affairs of the developing countries is treated in the following way by G. Liska, an American author: for the United States the dilemma "is not to decide for or against intervention in principle. Instead, the policy maker is continually confronted with the quandary of whether, when and how to intervene in concrete conditions *so as to advance American interests*" (my italics.— *R. U.*) (G. Liska, *The New State Craft. Foreign Aid in American Foreign Policy*, Chicago, 1960, p. 128).

mestic economic, political and social programmes that well satisfy rising popular demands for freedom and material welfare".[49] U.S. politicians and ideologists agree to "social reforms" and the removal of reactionary regimes and military dictatorships, at least in words, so as to avert the "communist danger" and reinforce the elements that make up their social mainstay.

This is a very urgent problem for the American neo-colonialists. The instability of their social mainstay dictates definite measures. Describing how the people in the less developed countries receive American guardianship and aid L. Lebret, noted proponent of "social reforms" in the former colonies, emphasises: "The peoples feel as exploited and despised as under the old colonialists. Indeed, they are looked upon not as human beings but as a means for ensuring the prosperity and security of the Americans."[50]

R. Raffalt, who toured Southeast Asia for the West German Foreign Ministry, writes that the "fantastic American social programmes for aid to Asian peoples are encountering growing hostility".[51]

The problem of ensuring a firm social mainstay can no longer be solved by relying directly on the feudal and compradore elements. Even attempts to rely on the bourgeoisie are not always successful. The fact that they are isolated from the people alarms the U.S. politicians. That is why they are forced to don the cloak of "social reformers" and at times even criticise local reactionary governments which are, in fact, their mainstay.

But "social reforms", in the opinion of U.S. politicians, must not affect private, above all foreign, enterprise. The creation in the less developed areas of the "free world" of conditions in which private enterprise will grow and prosper[52] remains the principal economic task of the United States strategy in these areas.

In connection with the reorganisation of the aid policy and "social reforms", Dean Rusk said that private investment must play an important part in the economic and social development of any country with which the United States was closely associated and which was getting American aid.[53]

The problem, consequently, is to see that the policy of the young national states should not discourage foreign capital from investing large sums.

Yet the calls of official U.S. leaders to American businessmen to channel their capital into less developed countries run up against a quite understandable apathy. Data on tendencies in U.S. investment abroad, at the beginning of the reorganisation of the aid policy, show that there is a slowing down in the flow of private capital.[54]

[49] *U. S. News and World Report*, June 12, 1961.
[50] L. J. Lebret, *Le drame de siècle*, Paris, 1960, p. 141.
[51] R. Raffalt, *Die Fern ist uns der Osten*, Munich, 1961, p. 20.
[52] *Foreign Aid. Facts and Fallacies*, Washington, 1961, p. 34.
[53] *New York Times*, March 2, 1962.

The latest U.N. studies show that private foreign capital continues to flow chiefly to the industrially developed countries, to their manufacturing industry. Private investors ignore the need of the developing countries to industrialise, and there is the "continued concentration of such capital on primary production chiefly for export".[55]

In 1960, direct American investment in the developing countries amounted to less than $600 million as compared to $1,800 million in 1957. E. M. Martin, the then Under Secretary of State for Economic Affairs, ruefully noted that of this sum Asia and Africa received only $165 million, of which $65 million was invested in oil and $100 million went to other branches—but also of the extractive industry. These tendencies have persisted in recent years as well.

Thus, the bounds of social reforms demanded as a condition for obtaining American aid, are strictly limited. On the one hand, they are determined by "the ability of a country to absorb external capital productively".[56] On the other, land and tax reforms, which the United States takes so much to heart, have to be carried out in such a way as to utilise the opportunities of local capital. Such statements leave no room for doubt that U.S. neo-colonialism, using pompous phrases about the need for internal reforms and social justice, proposes reforms directed against the people of the young states. The "reformers" are out to ensure the biggest influx and the biggest profits of foreign capital and the development of national capitalism which should take its cue from the United States.

Postwar history has recorded numerous instances when U.S. financial aid was shut off as soon as a country overstepped in its internal reforms the bounds regarded permissible by the American monopolies. This was the case in Egypt following the nationalisation of the Suez Canal, in Iraq after the July 1958 coup, in Indonesia after 1957, in Cuba in connection with the land reform and the nationalisation of foreign property, in Ceylon in 1963 after the nationalisation of part of American capital engaged in marketing oil products, and so on.

The United States is not satisfied with gaining control over the foreign policy of some countries. It lays claim to dominating the home policy of each recipient of American financial aid. That such a policy is doomed to failure nowadays is obvious. The influence of the United States and the other imperialist powers on the home

[54] *International Investment and the Problems of Economic Growth*, Washington, October 30, 1961, p. 713.
[55] *International Flow of Long-Term Capital and Official Donations 1959-1961*, New York, 1963, p. 66.
[56] *Department of State Bulletin*, April 10, 1961, p. 511.

and foreign policy of Asian, African and Latin American countries, far from increasing, is on the decline.

The period when, as Lenin pointed out, the economically backward countries lacking capital for their own development could obtain it only by accepting political subordination, has come to an end in the main. This method of obtaining economic aid was the only one when finance capital dominated undividedly, and it remained widespread even after the 1917 October Revolution, up to the formation of the world socialist system; but today there is no need to go into political bondage to get capital.

The economic assistance given by the socialist states to the less developed countries is gradually wresting them from the grip of foreign finance capital, is abolishing the imperialist monopoly of providing capital goods, scientific knowledge, technical know-how and personnel. The help of the socialist states is facilitating the establishment of large centres for the national manufacture of means of production in the developing countries. All this combined with the vigorous efforts of the newly-free peoples for economic independence constitutes the new historical conditions which make abolition of the monopoly domination of finance capital inevitable.

One new feature in U.S. policy in recent years is the sponsoring of so-called aid clubs of the principal West European states. The Organisation for European Economic Cooperation and Development (O.E.C.D.) was set up at the end of 1960. The core of this organisation consists of 15 NATO member countries. Its task is to coordinate the policy and concentrate the resources of the NATO countries headed by the United States, with the object of influencing most effectively the development of the economically backward countries. Another task of the O.E.C.D. is to combat the influence and assistance of the socialist community in Asia, Africa and Latin America.

The O.E.C.D. has set up a special group for promoting the development of the economically backward countries (the Development Assistance Committee). Under the leadership of the United States, its European partners at the very first meetings of the group were subjected to heavy pressure of their leader which demanded that they accept a definite five-year programme of aid to the less developed countries based on allotments of not less than one per cent of their national incomes.

The United States is specially insisting on drawing in West Germany to render financial aid to the developing countries.[57] In Western Europe only the Federal Republic of Germany has a steady favourable balance of trade and payments. Its gold and

[57] James Warburg long ago advised U. S. leaders "to enlist in the formulation and execution of Western policy nations such as Germany and the Scandinavian countries which are not associated with the idea of colonialism in the eyes of the Afro-Asian peoples" (*The West in Crisis*, New York, 1959, p. 49).

foreign-exchange reserves have exceeded $7,000 million, while the gold reserves of the United States dropped by nearly one-third. West Germany holds second place in the capitalist world in resources of gold and foreign exchange.

The West German monopolies are all in favour of increasing loans and credits to the less developed countries. Although there are some differences between the United States and the Federal Republic about the size of the latter's contribution to reinforcing capitalism in the developing countries, the Federal Government has adopted a special financial programme which provides for a steep increase in the sum of aid to developing countries, up to DM 4,000 million in the next few years.

Certain differences also crop up because the United States insists on all countries with a favourable balance of payments, West Germany primarily, giving loans and credits to the developing countries in convertible currency, in other words, that the loans and credits should not be made conditional on the purchase of goods and the employment of services of the creditor country; conversely, countries with an adverse balance of payments, like the United States, should give loans which are to be spent in the market of the creditor country. Britain, which also has an adverse balance of payments, naturally supports the United States.

But the West German monopolies themselves want to expand their exports and reap benefits from aid to the developing countries. The terms of the loans Bonn extended in 1961, 1962 and 1963 stipulated that they must be spent in West Germany.

The United States will hardly succeed in putting through its policy on this question and in stepping up exports of American and British goods to the less developed countries as a result of bigger exports of West German capital.

The reaction of the British Government to the financial pressure exerted by the United States on the O.E.C.D. Development Assistance Committee is of definite interest. Because of the chronic deficit of the country's balance of payments in recent years, the drop in the gold reserves and the unsatisfactory export situation which had caused a recession of industrial activity, Britain is no longer able to carry the former external financial burden. The government has taken steps to prevent an increase in aid to less developed countries.

The finances of the United States itself are strained. However the true nature of the aid programme is camouflaged, it is impossible to conceal the fact that the United States has been spending money on arming and aiding its allies during the cold war on a scale close to the expenditure on the late world war. U.S. millitary expenditure in nine years of the cold war (1953-1962) totalled $361,600 million, or $75,000 million more than was spent by the U.S. during the Second World War (July 1941 to June 1946). This sum is 13

times greater than the amount spent by the United States in the First World War.

The U.S. armed forces have over 2.8 million men, of whom almost 1.1 million are abroad. The United States has 40 allies and is rendering aid, chiefly military, to nearly 75 countries.[58] These data clearly show that the American economy is in an unstable position as a result of the huge military expenditure, the outlays for the maintenance of military bases all over the world, the large appropriations for foreign aid and the inordinate expenses on setting up gigantic strategic stockpiles. In recent years the United States has had an adverse balance of payments which caused an outflow of gold, while the European countries increased their dollar and gold reserves by nearly $15,000 million.

Today the United States is no longer able, as before, to act as practically a monopoly creditor financing the military and economic measures of imperialism in Asia, Africa and Latin America. After the war it assumed chief responsibility for preserving the colonial system, suppressing the national-liberation movements and organising resistance to the socialist world.[59] The United States has overstrained its resources in trying to gain these objectives and is now looking for a way out in pooling its forces with those of the West European imperialist countries and in mustering joint resources for accomplishing the aims which Washington was unable to achieve in the past.

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The ideologists of neo-colonialism advocate the "evolutionary way" of developing the newly-free countries after the Western pattern and are against utilising the experience of the socialist countries. They admit that the peoples of Asia, Africa and Latin America think the socialist way will give them an organisation for modernising society, an internal basis for a government capable of combating the reactionary elements opposed to modernisation, enable them to mobilise the manpower and natural resources needed to ensure rapid industrial growth rates and create an atmosphere conducive to security, discipline and order. All this is admitted by the Centre for International Studies of the Massachusetts Institute of Technology, which submitted a special report to the Senate Foreign Relations Committee in March 1960.[60]

[58] *Department of State Bulletin*, June 11, 1962, p. 941.

[59] The idea of U. S. responsibility for the preservation of the colonial system was very frankly expounded by T. R. Adam: "The first German war brought the weakened European colonial powers to a point of danger; the second German war reduced them to dependency on American economic and military power. Responsibility ... for the maintenance of the colonial system has thus fallen into the lap of American democracy" (*Modern Colonialism*, New York, 1955, p. 16).

[60] *New York Times*, March 30, 1960.

The prime political task of the neo-colonialists, according to their own admissions, is to do their utmost to weaken the impact of the constructive example of the Soviet Union and the other socialist states on the developing world. The American Corporation for Economic and Industrial Research begins its report on *Worldwide and Domestic Economic Problems and Their Impact on the Foreign Policy of the United States*, prepared for the Senate Foreign Relations Committee, with the following statement: "Rapid economic growth gives the Soviet Union the capability of extending its influence into the underdeveloped countries through trade and aid and by the sheer attraction its rapid growth might have as a model to these countries."[61]

A collective study of the policy of the United States and the Western powers in the less developed countries, published in Bonn, says that "the integral communist theory is more understandable to the less developed peoples than the intricate Western ideas which so far have not been drawn up into a single concept".[62]

The important thing, naturally, is not the absence of a Western "single concept". The selfsame authors assert that the "Western concept" consists in the establishment of a "developed system of private enterprise and middle strata in the economically backward countries", in other words, in upholding capitalism and bourgeois rule; they admit that it is this concept that is unattractive and that this might have disastrous consequences for the Western world.[63]

The ideologists of neo-colonialism maintain that the United States "undertook a striking turn away from at least the cruder forms of imperialism" and put its relations with the less developed countries "on a basis of good-neighbourly equality".[64]

The "good-neighbourly equality" of the United States and the developing Asian countries is a subject examined by many bourgeois politicians and scholars. W. Appel, a West German economist, for example, thinks that the peoples of the developing countries are gaining the impression that "the Kremlin honestly wants to see the further development of their countries, while the West pursues only its own ends and takes no interest in the living standards of these peoples; even if it renders disinterested help at times, it does it in a way resembling a handout."[65]

Criticising the American aid policy, Appel significantly remarks:

[61] *Worldwide and Domestic Economic Problems and Their Impact on the Foreign Policy of the United States*, Washington, 1959, p. 2.

[62] *Die Entwicklungsländer und unsere Hilfe. Zur Entwicklungspolitik der CDU-CSU*, Bonn, 1961, p. 29.

[63] *Ibid.*, pp. 13-14.

[64] R. Emerson, *From Empire to Nation*, Cambridge (Mass.), 1960, p. 29.

[65] W. Appel, *Süd-Ost Asien Brennpunkt der Weltpolitik*, Würzburg, 1960, p. 16.

"One often hears in Asia: America is forgetting the rule that it is much more important how a thing is given than what is given." [66]

S. Padover, an American lecturer, is quite outspoken about the "good-neighbourly equality" of the United States and Asia. He is very much disturbed by the big difference between the Americans' opinion about themselves and their activity and the Asians' view about it. He is worried by the lack of understanding between the United States and a considerable part of the outside world.[67]

Some of the ideologists of U. S. neo-colonialism resort to an argument which, they think, saves the situation, namely, that the West European countries and the United States have greater experience in dealing with Asians and Africans than the Russians and have more to give them than the Russians.[68] But even the authors of such statements advise the colonialists not to bring their relations with the dependent peoples to the point of a revolutionary explosion: "Better a friendly parting, even though premature, than a parting in blood; better independence for a people not yet fit for self-government than trying to keep them in subjection by a *prolonged* and massive use of force." [69]

No one today can keep the peoples in subjection by large-scale coercion. The colonialists often have to leave the colonies in advance so as to avoid a national-revolutionary war. Not all the colonialists have proved to be so enlightened as to follow this course. Many did not get out of their colonies and semi-colonies in time and were forcibly ejected by national-revolutionary wars. This explains the frenzied desire of the imperialists to cover up their policy in the former colonies and in the world by a neo-colonialist guise.

But in today's conditions no policy of the colonialists can preserve the system of colonial domination once it has been politically overthrown. Neo-colonialism cannot create a new world colonial system; it is merely a relatively new colonial policy of imperialism adapted to the new circumstances. This fundamental difference must be constantly borne in mind. The world colonial system was noted for the fusion of political, military and economic domination which ensured imperialism a world colonial monopoly. Today the political and military power over most colonies has been abolished. The old world colonial system is no more, though the economic prevalence of imperialism persists in many former colonies. But this prevalence no longer gives rise to imperialism's inevitable political rule as was the case prior to the break-up of the colonial system. Moreover, with the abolition of the political rule of imperialism, the sphere of its economic rule in the former colonies and semi-colonies is shrinking and crumbling to one extent or another.

[66] *Ibid.*, p. 14.
[67] *New York Times Magazine*, March 4, 1962.
[68] J. Plamenatz, *On Alien Rule and Self-Government*, London, 1960, p. 183.
[69] *Ibid.*, p. 183.

Thus, the abolition of the colonial system is increasingly affecting the economy as well.

We may assert that the socialist and national-liberation revolutions have deprived imperialism of the colonies and that it has no prospect of regaining them. But as long as countries economically dependent on imperialism exist and as long as the "world countryside"—the former colonies and semi-colonies remaining within the world capitalist economy—exists, imperialism will be able to engage in colonial and semi-colonial exploitation which is the true, though disguised content of neo-colonialism.

Imposing the capitalist way of development on the economically backward countries and the consequent implanting of foreign capital and private local capital, are designed to keep these countries in an economically subordinate position. On the other hand, the non-capitalist way of development precludes the subordinate, unequal position of any country which takes this road. The capitalist way of development, even if accompanied by economic growth and a certain degree of industrialisation, does not preclude the subordinate and unequal position of a developing country in the world capitalist economy and, under certain circumstances, increases and consolidates this position. The capitalist way of development with its slow rates of industrialisation, its one-sided trend and retardation by imperialism results in preserving, and as shown by the record of the last 15 years, even in widening the gap between the development levels of the productive forces and labour productivity in the imperialist countries and the young national states. This is what determines the prolonged subordinate position of the developing countries and this is what the policy of neo-colonialism seeks to achieve.

A change of colonialist policy, of its methods and forms adapted to the new conditions when it is impossible to subject half of mankind to crude violence, is one of the causes of the rise of neo-colonialism as the aftermath, the product of disintegration of the one-time omnipotent world colonial system.

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What has to be done so that the resources of the industrialised capitalist states, including the U.S.A., should promote the economic growth of the developing countries? It would be wrong to ignore the great impact exerted by West European and American capital on the course of economic development in the Asian, African and Latin American countries which have not fallen away from the world capitalist system. But so far, this has been mostly a negative impact.

One of the main features of imperialism prior to the disintegration of the colonial system was that it accelerated the development of capitalism in the backward countries. Today, however, the

acceleration of economic development in the new sovereign states is proceeding primarily on a national basis.

To change in these new conditions the nature of economic relations between imperialist states and less developed countries and to render the latter real economic support, it is necessary to recognise the impossibility of a return to the period of classical colonialism. But this alone is not enough. The impossibility of a return to traditional colonialism has been recorded in the declaration on the abolition of colonialism, adopted by the United Nations on the initiative of the Soviet Union. A guarantee against the restoration of the colonial system has been won by the former colonial peoples themselves. It is firmly pledged by the world socialist system. The task now is to compel the imperialist powers to renounce various forms of political and economic discrimination against the less developed countries, and renounce the unequal or disadvantageous terms of their aid. Militarisation of the economy must be completely rejected and consequently the armed forces and territories of the developing countries must not be used to further the imperialist policy of knocking together blocs against the socialist world and the national-liberation movement.

It is necessary to remove every element of expansionism, dictation, pressure and corruption—everything that has blossomed so luxuriantly on the soil of American aid. The anti-imperialist forces should make the industrialised capitalist states render aid on easy terms for building a national economy in the less developed countries. A resolute turn to a policy of disinterested assistance is required. This policy should be based on cooperation in attainment of economic independence.

But the capitalist world does not have a single highly-developed country which, voluntarily and unselfishly, out of humane considerations and the need to start repaying the debt to the economically backward countries, would agree to render generous, fraternal assistance.

Least of all could the United States be expected to act this way. Washington has not been able, nor will it ever be able, to find the means to stem the completion of the historically irrepressible process of political and economic emancipation of Asia, Africa and Latin America. No such means exist. The "new look" and "new frontiers" policy of the U.S. Government with regard to developing countries offer no grounds for supposing that a period of radical change has arrived or that this policy rests on new principles. It remains the policy of renovated colonialism and hence it will inevitably sustain greater reverses.

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Reorganisation of the aid policy, undertaken by President Kennedy in the initial period of his Administration, failed to bring

about satisfactory results, to stabilise it and preclude the need for further changes and adjustments.

Charles Murphy wrote in an ironic vein and with sufficient grounds about Kennedy's reforms of the aid policy: "But somehow the more he changed things, the more they remained the same."[70]

After appointing Henry Labouisse director of the International Cooperation Administration, Kennedy had to replace him within six months. Thirteen months later, in November 1962, he had to replace Fowler Hamilton. The former was recommended by Harry Truman. The latter, one of Wall Street's best lawyers, was its direct placeman.

Before long Kennedy became aware that the neo-colonialist policy was meeting growing resistance from the democratic forces in Asia, Africa and Latin America. Within the United States too opposition to the foreign aid programmes was on the increase. This prompted him to state in December 1962: "I would like to cut out foreign aid. It is very unpopular. It is a hard fight every year. President Eisenhower had the same struggle, and so did President Truman."[71]

In December 1962, Kennedy appointed a special committee headed by General Lucius Clay. It was named the Committee to Strengthen the Security of the Free World. The President wanted it to make a thorough study of the basic concepts of aid, its scale and distribution, and formulate the necessary proposals. The Clay Committee included Robert B. Anderson, investment banker and Secretary of the Treasury under President Eisenhower; Dr. Edward S. Mason, Professor of Economics, Harvard University; Eugene R. Black, former President of the I.B.R.D., and George Meany, President of the A.F.L.-C.I.O.

Kennedy was preparing to ask Congress for new appropriations to cover his foreign aid programmes in 1963/64 and 1964/65. He needed the findings and proposals of an authoritative committee as a weapon against his critics in Congress.

The conclusions and proposals of the Clay Committee can be summed up as follows.

1. After the war foreign aid was called upon to fill "the power vacuum" into which international communism supposedly sought to move. "Assistance is essential to the national interests of the United States and to the curtailment of communist efforts in all parts of the world."[72] The Committee was of the opinion that "we (the

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[70] *Fortune*, March 1963.

[71] *Ibid.*

[72] This and the subsequent quotations on pp. 327-329 are from the *Scope and Distribution of United States Military and Economic Assistance Programs, Report to the President of the United States from the Committee to Strengthen the Security of the Free World*, Department of State, Washington, March 20, 1963.

U.S.A.—*R.U.*) are trying to do too much for too many too soon, that we are over-extended in resources and under-compensated in results, and that no end of foreign aid is either in sight or in mind". Aid is a "burden on the already heavily pressed taxpayer".

The Committee stressed the "contribution of foreign aid to the persistent deficits in our international balance of payments—twelve in the last thirteen years".

2. The Act for International Development of 1961 (framed by the Kennedy Administration) was, in the Committee's opinion, "a good one". Amendments to the Act in 1962 also have been helpful, "especially the Hickenlooper Amendment, requiring suspension of aid to countries appropriating privately-owned U.S. property without adequate compensation, and the provision banning aid to communist countries except in extraordinary circumstances". The tying of U.S. economic aid to procurement in the United States was regarded by the Clay Committee as a necessary step that justified itself.

3. Aid remained scattered and the Committee did not believe that the national interest was served by "indefinitely continuing commitments" to 95 countries and territories. "We must not be disappointed if nations which receive our aid do not always agree with us."

4. In recipient countries aid should "mobilise the great potential and range of private, individual efforts.... The U.S. should not aid a foreign government in projects establishing government-owned industries and commercial enterprises which compete with existing private endeavours." Such countries should be told that they have no right "to intervene in our (U.S.—*R.U.*) national pocketbook" for aid to such enterprises.

5. Some hastily devised projects had been adopted by the United States to prevent Soviet aid, as "leverage for political support" of existing governments. The U. S. gives "unjustified aid in the hopes of precluding Soviet assistance in marginal cases".

6. Countries bordering on the communist bloc "are now receiving the major portion of U.S. foreign assistance but are also providing more than two million armed men ready, for the most part, for any emergency".

7. "In any review of front line countries, special attention must be given to India," even though it is not an ally; economic and military assistance to India, as well as to Pakistan, must continue under present circumstances. Aid to Indonesia should be given only if it puts "its internal house in order, provides fair treatment to foreign creditors and enterprises, and refrains from international adventures".

8. "... The burden of sustaining foreign assistance to the less developed countries is falling unfairly upon the U.S." The other industrialised countries can and should do more than they are now

doing. Italy should allocate budgetary funds for aid, expand its volume and liberalise terms; Canada should raise the volume of aid; the United Kingdom, lower interest rates and increase the volume of its aid to countries outside the Commonwealth; West Germany, raise volume and liberalise terms; France, soften its aid terms outside of Africa; Japan, soften its terms. Multilateral aid should be increased, utilising for these purposes the International Development Association—"a ready-made instrument to accomplish these purposes".

9. "Impediments to the growth of private enterprise must be identified and treated, the shallowness and harm of doctrinaire biases against responsible private enterprise exposed, new sources of credit opened to medium and small ... businessmen and foreign investment encouraged...."

10. Ruling circles of the less developed countries should be prompted to renounce the line of creating "state-controlled economies"; they should be told that the U.S. doubts "the advisability of continuing aid to countries which refuse to enter investment guaranty agreements". The home policy of the developing countries should justify American foreign aid.

The Committee proposed no essential changes in the guiding principles of the aid policy. Its conclusions and proposals lay stress on "struggle against communism" and against Soviet assistance; support of regimes in member countries of military-political blocs; concentration of aid on decisive directions of struggle against the socialist system; utmost support of the private capitalist economy in the aid-receiving countries; greater opposition to the state sector; protection of private American investments, up to the threat of cutting off further aid; organisation of multilateral aid with greater enlistment of the resources of other countries; greater pressure not only on the foreign policy, but also the home policy of states getting loans, credits and subsidies from the United States.

Kennedy hoped, relying on the conclusions of the Clay Committee, to restore in the 1963/64 budget the sum of $ 1,000 million which had been cut by Congress on the initiative of Otto Passman, chairman of the House subcommittee on foreign aid appropriations. The main reason given for the requested $ 5,000-million foreign aid appropriations was the shopworn "need to contain communism".

At one time this almost magic formula, widely used by Truman, Eisenhower and Kennedy himself, enabled them to extract billions of dollars from the taxpayer's pocket, but it gradually began to lose its appeal.

The foreign aid programmes remained the object of withering criticism in many quarters of the United States and in the developing countries. It was becoming clear to an ever wider range of people that the money contributed by the American taxpayer was being wasted on the pretext of helping to fight world communism.

It was possible to mislead the American taxpayer for years, claiming that it is economic rather than military aid that the developing countries were getting. The formula of support of defence has been invented for such "economic aid". It made it possible to include in the category of economic aid the billions spent to maintain armed forces abroad, to provide weapons, build strategic roads, airfields, ports and other installations and also to cover the shortage of foreign exchange in one or another country militarily bound to the United States.

At the same time economic assistance by the Soviet Union and the other socialist countries was becoming more effective and substantial. This, we are told by *Fortune*, compelled the United States to increase its foreign aid appropriations: candidates for loans swiftly noticed that their chances of gaining U.S. aid increased considerably the moment they began flirting with the Communists.[73] When the budget for 1963/64 was being approved Kennedy again faced vociferous demands within the U. S. to reduce military spending abroad, drastically cut subsidies and reorganise aid.

He asked $4,900 million for foreign aid and, running up against Congress opposition, reduced this sum to $4,500 million. After a prolonged struggle the Senate approved $3,700 million, while the House of Representatives trimmed this sum to $3,500 million.

Learning about the decision of the House of August 23, 1963, Kennedy, as he had repeatedly done, sent a protest message to the Congress. He wrote:

"The action of the House today in drastically cutting the Mutual Security Authorisation Bill is unprecedented, unwarranted and unwise....

"This year's authorisation bill was carefully trimmed before it went to the Hill and was examined by General Clay and others. It was one of the lowest ever presented to the Congress. Despite all this, the House of Representatives has made the sharpest cut it has ever made in a foreign authorisation bill.

"This action cannot be explained by any change in the world situation or by the requirements of our national security or as an economy measure. It is simply a shortsighted, irresponsible, and dangerously partisan action.

"If today's vote stands, no development loans could be made in Iran, Greece, Thailand or other countries on the rim of the Communist empire except to fulfill existing commitments."[74]

The Republican Party which was getting ready for the 1964 presidential elections decided to capitalise on the miscalculations and crisis of the aid policy and mounted a series of strong attacks against the Administration.

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[73] *Fortune*, March 1963.
[74] *Washington Post*, August 24, 1963.

Kennedy replied to them by equally strong counter-attacks in defence of his policy. But he could not make Congress restore the cuts. Foreign aid appropriations for 1963/64 were approved at $ 3,000 million on December 6, 1963, after Kennedy's assassination.

The supposed need to speed the social and economic progress of the developing countries is used now, more than ever, as an argument of the American aid "theory". Thus, in his message of March 19, 1964, President Johnson said that the present and future generations would suffer if the United States shirked the job of freeing the world comity of nations from poverty and ignorance. Why? Because poverty and ignorance, according to Johnson, breed communism which scores victory whenever the United States displays indecision.[75]

The argument that aid is given to speed the economic progress of developing countries is not new. But Johnson, more insistently than before, harped on this point. The military-political objectives of neo-colonialism are increasingly concealed behind the supposed socio-economic purposes of assistance. The demand that the money provided by the United States should stimulate social and economic progress is an essential part of the U.S. anti-communist strategy. Aid is designed to serve as an instrument in gaining an important political objective, namely, in preventing the developing countries from striving for socialism.

There are no few American political leaders who have a realistic understanding of the present situation in the so-called Third World. They raise objections to the latest reorganisation of the aid policy undertaken by the Johnson Administration and the attempt of the State Department to subordinate aid solely to political ends. They are opposed to foreign aid becoming a tactical instrument. The more sober-minded politicians said that the subordination of aid to current political exigencies may make the United States withhold financial assistance or offer it for political considerations which cannot meet the requirements of a sound economy.

But exploration of ways to rationalise the aid programme and to shape it on a sounder basis of a policy not dictated by the State Department and the Pentagon has not been successful so far.

Johnson's message to Congress of March 18, 1964, also ends in the threadbare call of "frustrating the ambitions of communist imperialism".[76] This is an old song, not even arranged in a new way. It is having less and less appeal for the American people who, as Dean Rusk put it, would be glad to be rid of the burden of foreign aid if this were possible.[77]

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[75] *Washington Post*, March 19, 1964.
[76] *Washington Post*, March 20, 1964.
[77] *Washington Post*, October 9, 1964.

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American aid has not solved, and is incapable of solving, a single basic question of social development in the Asian countries. It is drawing tighter the knots of internal and external contradictions—South Viet-Nam, Laos and the Congo are graphic examples.

The march of history steadily undermines the positions of capitalism, including those of U.S. imperialism. Ten years ago U.S. imperialism began the South Vietnamese venture which actually turned into military intervention. And what can it show for its pains? Have the American strategists at least coped with the military aims of "rolling back communism" in South Viet-Nam and in Southeast Asia which they set their army and navy and the puppet regimes of their making? They have not. The balance sheet which the U.S. monopoly bourgeoisie can draw up in Indochina and in Southeast Asia, as also in Africa and the Arab East, is unfavourable, with a big political deficit in each of these main areas of the national-liberation movement.

For nearly 20 years now the ordinary American has been steadily urged by every mass media at the disposal of the monopolies to make sacrifices for the sake of "upholding freedom" and "containing communism". The same huge propaganda machine is trying to prevent him from noticing how, under the impact of the irrepressible process of national and social emancipation of the Asian, African and Latin American peoples—a process that no dollar flood can stop—the prospects of U.S. neo-colonialist policy are becoming more and more hopeless.

But as time goes on, all the peoples, including the American, clearly see that, though the situation might change at times, the front of struggle against colonialism and neo-colonialism continues to grow in size and strength.

U.S. politicians, together with their allies, still have considerable possibilities for suddenly erecting stumbling blocks to the complete abolition of colonialism, especially of modernised "made-in-U.S.A." colonialism. But today there is no country and no people who would bend their knee even to the most powerful enemy hindering their national and social liberation.

At times colonialism in its latest dollar garb takes the offensive in one or another country. But viewed from the long-range historical perspective it is retreating along the entire front. This retreat is now slow, now fast, but neo-colonialism, following traditional colonialism, is losing ground everywhere. Neo-colonialism has no future, for it is the past vainly trying on false pretences to claim a new lease of life. This is so obvious even to U.S. policy makers that they are constantly trying to "reorganise" and "improve" neo-colonialism and its machinery which still remains powerful. Life increasingly shows that the policy of galvanising colonialism is out of step with the times.

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